

PTB. 127(N)  
1,000

GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE



REPORT OF THE  
INDIAN TARIFF BOARD  
ON THE  
COTTON YARN AND CLOTH PRICES

---

BOMBAY

## List of Agents in India from whom Government of India Publications are available

**ABBOTTABAD**—English Book Store.

**AGRA**—

English Book Depot, Taj Road.  
Indian Army Book Depot, Dayalbagh.  
National Book House, Jeomondi.

**AHMEDABAD**—

Chandra Kant Chiman Lai Vora.  
H.L. College of Commerce Co-operative Store, Ltd.  
New Order Book Co.

**AJMER**—Banthiya & Co., Ltd., Station Road.

**AKOLA**—Bakshi, Mr. M. G.

**ALLAHABAD**—

Central Book Depot, 44, Johnstonganj.  
Kitabistan, 17-A, City Road.

Ram Narain Lal, 1, Bank Road.

Superintendent, Printing and Stationery, U. P.

**BANGALORE**—Messrs. S. S. Book Emporium, 118,

G. H. Extension Brasavangudi P. O.

**BAREILLY**—Aggarwal Brothers.

**BARODA**—Hony. General Secretary, Pratap

Singha College of Commerce Co-operative Stores,  
Ltd.

**BENARAS**—Students Friends Booksellers, Univer-  
sity Gate.

**BHANDARA** (C. P.)—S. S. Dhara Shirkar.

**BOMBAY**—

Co-operators Book Depot, 9, Bake house Lane, Fort

Lakhani Book Depot, Bombay, 4.  
New Book Co., Kitab Mahal, 188-90, Hornaby

Road.

Popular Book Depot, Grant Road.  
Safety Book Shop, Safety First Association of

India, Fort.  
Superintendent, Govt. Printing & Stationery,

Queen's Road.

Taraporevala Sons & Co., Messrs. D. B.

Thacker & Co., Ltd.

Tripathi & Co., Messrs. N. M., Princess Street,  
Kalbadevi Road.

**CALCUTTA**—

Book Company.

Chatterjee & Co., 3, Bacharam Chatterjee Lane.

Das Gupta & Co., 54/3, College Street.

Hindu Library, 69-A, Balarum De Street.

Lahiri & Co., Ltd., Messrs. S. K.

Newman & Co., Ltd., Messrs. W.

R. Cambray & Co., Kent House, F 33, Mission

Row Extension.

Roy Chowdhury & Co., Messrs. N. M., 72, Harri-

son Road.

Saroar & Sons, Messrs. M. C., 15, College Square.

Sarkar & Sons, Ltd., Messrs. S. C., 1/1/1-C, Col-  
lege Square.

Standard Law Book Society, 721-A, Hazra Lane,

Rash Behari Avenue P. O.

Thacker, Spink & Co. (1933), Ltd.

**CAWNPORE**.

**CUTTACK**—Press Officer, Orissa Secretariat.

**DEHRA DUN**—Jugal Kishore & Co.

**DELHI**—

Central Book Depot, Kashmere Gate.

Federal Law Depot, Kashmere Gate.

Frank Brothers, Chandni Chowk.

Imperial Book Depot and Press, Near Jama Ma-  
jid (Machbliwalan).

Indian Army Book Depot, Daryaganj.

Jaina & Bros., Messrs. J. M., Mori Gate.

Metropolitan Book Co., Faiz Bazar, Delhi.

Oxford Book and Stationery Co.

Young Man & Co. (Regd.), Egerton Road.

**DEVGAD BARIA**—Joshi, Mr. V. G., News Agent  
(via Pipold).

**FEROZEPUR**—English Book Depot.

**GWALIOR**—Jain & Bros., Messrs. M. B., Sarafa  
Road.

**HYDERABAD** (DECCAN)—Hyderabad Book  
Depot.

**JAIPUR CITY**—

Garg Book Co.

Ramesh Book Depot, Trephe Bazar.

**JODHPUR**—Mr. Dwarkadas Rath, Book Sellers.

**JUBBULPORE**—The C. P. Circulating Library &  
Book Depot (Regd.), Cecil East Street.

**KARACHI**—

Aero Stores.

Keal & Co.

Modern Book Depot.

Wadhawa Bros., Kutubery Road.

**KARACHI (SADAR)**—Manager, Sind Government  
Book Depot and Record Office.

**LAHORE**—

Imperial Publishing Co., 99, Railway Road.

Indian Law Agencies, Krishna Nagar.

Kansil & Co., Messrs. N. C., 9, Commercial Build-  
ings, The Mall.

Law Book Coy., 5, Kacheri Road.

Mahotra & Co., Messrs. U. P., Post Box No- 94.

Minerva Book Shop, Anarkali Street.

New Oxford Book Coy.

Punjab Religious Book Society.

Rama Krishna & Sons, Anarkali.

Reliance Book Stall.

Superintendent, Govt. Printing, Punjab.

Technical and Commercial Book Co.

University Book Agency, Kacheri Road.

**LYALLPUR**—Proprietor, 'The Lyall' Book Depot,  
Circular Road.

**LUCKNOW**—Upper India Publishing House Ltd.,  
Literature Palace, Aminuddaula Park.

**MADRAS**—

Higginbothams.

Superintendent, Govt. Press, Mount Road.

Varadachary & Co., Messrs. P.

**NAGPUR**—

Central Law House, Tilak Road.

Khot & Sons, Messrs. G. G, Sita Buldi, 3rd Modi  
Lane.

Superintendent, Govt. Printing, Central Pro-  
vinces.

**NEW DELHI**—

Bhawnani & Sons, Connaught Place.

Jaina Book Agency, Connaught Place.

Saraswati Book Depot, 15, Lady Hardinge Road.

**PATNA**—Superintendent, Government Printing,  
Bihar, P. O. Gulzarbagh.

**PATNA CITY**—

Lakshmi Trading Co., Padri-ki-Haveli.

Raghunath Prasad & Sons.

**PESHAWAR**—

London Book Co. (India), Arbab Road.

Manager, Govt. Printing & Stationery, N. W. F. P.

**PESHAWAR CANTT.**—Faqir Chand Marwah.

**POONA**—

Deccan Bookstall, Fergusson College Road.

Dastane Bros., Home Service, 456, Raviwar Peth.

International Book Service.

**QUETTA**—Standard Bookstall.

**RAJKOT**—Mohandas Dossabhai Shah.

**RAWALPINDI**—Ray & Sons, Messrs. J., 43, K. &  
L. Edwardes Road.

**ROORKEE**—Proprietor, The Cambridge Book Depot.

**SHILLONG**—Superintendent, Assam Secretariat  
Press.

**SIALKOT CANTT.**—Clifton & Co.

**SRINAGAR**—Raina News agency.

**TRICHINOPOLY FORT**—Krishnaswami & Co.,  
Messrs. S. Teppakulam.

**VELLORE**—Venkatasubban, Mr. A., Law Book-  
seller.

## PERSONNEL OF THE BOARD.

- L. MEHTA.....*President.*
- DR. H. A. DEY, D.SC. (LOND.).....*Member.*
- DR. B. V. NARAYANASWAMY NAIDU, M.A., B.COM., PH.D.,  
BARRISTER-AT-LAW.....*Member.*
- MR. M. AHMADULLAH, B.A. (CANTAB.), BARRISTER-AT-LAW...*Secretary.*



सत्यमेव जयते

# CONTENTS.

PARA.	PAGE
1. Control of cloth and yarn prices.	
(a) Its history .. .. .	1
(b) Basis of price adjustments .. .. .	2
(c) Industry's demand for an increase in the prices of cloth and yarn .. .. .	2
(d) Reference to the Tariff Board .. .. .	3
2. Terms of reference .. .. .	4
3. Purpose and scope of inquiry .. .. .	5
4. Method of inquiry .. .. .	6
5. Basis of selection of the mills for costing .. .. .	7
6. Scope and method of costing.	
(a) Scope :	
(i) Types of yarn and cloth .. .. .	10
(ii) Costing periods .. .. .	12
(b) Elements of cost :	
(i) Cotton .. .. .	12
(ii) Manufacturing charges .. .. .	12
(iii) Depreciation, interest on working capital and return on fixed capital .. .. .	13
Cost analysis :	
(i) Spinning .. .. .	13
(ii) Weaving .. .. .	13
Adjustment of discrepancies in cost data .. .. .	13
(c) Processing charges .. .. .	14
7. Financial items .. .. .	14
8. Depreciation.	
(a) The present law and practice .. .. .	14
(b) Claim for a higher rate of depreciation .. .. .	15
(c) The rate allowed by the Board .. .. .	15
9. Interest on working capital	
(a) Basis of determining the amount of working capital .. .. .	16
(b) Rate of interest .. .. .	17
10. Return on fixed capital.	
(a) Employed capital, working capital and fixed capital .. .. .	17
(b) Cost of the block taken as the fixed capital .. .. .	18
(c) The block taken at its pre-war cost .. .. .	19
(d) The rate of return on the gross block	
(i) (a) Corporation tax .. .. .	20
(b) Business Profits Tax .. .. .	20
(ii) Reserves .. .. .	21
(iii) Managing Agents' commission .. .. .	21
(iv) Dividend to shareholders .. .. .	22
(v) Effects of the proposals regarding the return and its allocation to different items .. .. .	23
11. Method of arriving at fair ex-mill prices of yarn and Realization Multipliers for cloth .. .. .	25
12. Fair ex-mill prices of yarn and Realization Multipliers for cloth .. .. .	26
13. Method of adjustment in the fair ex-mill prices of cloth and yarn in future :	
(A) Yarn .. .. .	36
(B) Cloth .. .. .	39
14. Machinery for revision of prices .. .. .	41
15. Production and prices .. .. .	41
16. Acknowledgments .. .. .	42

## APPENDICES

	PAGE.
I.—Questionnaire based upon the original terms of reference and issued in December 1947 .. .. .	43
II.—Questionnaire based upon the revised terms of reference and issued in March 1948 .. .. .	45
III.—List of firms or persons who submitted replies to the Board's questionnaire or sent memoranda .. .. .	46
IV.—Details regarding visits to cotton mills by the President, Members and Secretary of the Board .. .. .	48
V.—List of associations and persons who were invited to give evidence before the Board .. .. .	48
VI.—List of associations and persons who attended the inquiry and were examined by the Board .. .. .	49
VII(A).—Classification of composite mills into groups according to the number of looms and spindles .. .. .	51
(B) Classification of spinning mills into groups according to the number of spindles .. .. .	54
VIII.—Ceiling prices for cloth : Schedule of Realization Multipliers for all cloth .. .. .	55
IX.—Statement showing the rates of depreciation relating to the sixteen costed mills .. .. .	63
X.—Statement showing the rates of depreciation relating to (a) Bombay mills (b) Ahmedabad mills .. .. .	65
XI.—Statement showing the amounts of Business Profits Tax, if any, payable by the costed mills at the current taxation rates on the basis of (i) the financial data for 1946 and (ii) a net profit at the rate of 6 per cent on the original block .. .. .	66
XII.—Madura Mills Company Ltd., Madura, circular dated 21st April 1948 .. .. .	67

## REPORT ON COTTON YARN AND CLOTH PRICES.

(a) *Its history.*—At the outbreak of the war in 1939, prices of cotton manufactures began to rise. This upward movement was moderate during the first year of the war, the Economic Adviser's index number for wholesale prices of cotton manufactures having risen from 100 during the week ending 19th August 1939 (base) to 113 during the week ending 17th August 1940. Thereafter, prices began to rise rapidly, and during the week ending 16th August 1941, the index number stood at 197. During the next 10 months the movement was again moderate, the average index number for June 1942 being 212. In the meantime, towards the close of the year 1941, Japan had entered the war and there was consequently a cessation of imports of cloth and yarn from that country. The effect of this factor on the prices of cotton manufactures became noticeable for the first time in July 1942, the index number for that month having shot up to 242. Thereafter, prices rose rapidly from month to month. The index number rose to 300 in October, 339 in November and 414 in December. A further series of advances in prices began in February 1943, when the index number was 427. By April 1943, the number went up to 469 and by June 1943 to 513. At this stage Government felt that there was an urgent necessity of controlling the prices of cotton yarn and cloth. After prolonged discussions with the representatives of the industry, the Cotton Cloth and Yarn Control Order was promulgated in June 1943, whereby price control was introduced. The first step to reduce prices was taken in August 1943, when, with the concurrence of the industry's representatives, the ex-mill ceiling prices of 12 varieties of cloth were fixed at about 40 per cent. below the market prices then ruling, and the mills were asked to charge these reduced prices. This measure, however, was not comprehensive; its effectiveness depended on the good faith of the mills, because there was nothing to prevent them from continuing to charge such prices as they liked. In December 1943, therefore, control prices were fixed for all varieties of cloth and yarn for the first time and an order was issued to the mills to stamp these prices on the cloth pieces and yarn bundles. Successive reductions in these control prices were made by Government with the concurrence of the Industry's Committee of the Textile Control Board in March 1944, June 1944, September 1944, February 1945 and November 1945. The reductions made during the years 1943-45 were appreciable. The Economic Adviser's index number for cotton manufactures came down from the peak of 513 in June 1943 to 262 in December 1945, indicating that the prices had been reduced on an average by about 50 per cent. from the peak level. A new schedule of realisation multipliers for fixing grey cloth prices based on the overall reduction of prices mentioned above was introduced from 1st February 1946. The ex-mill prices based upon this schedule remained unchanged till 1st December 1947. The ex-mill ceiling prices for yarns were revised on 6th April 1946, which also remained unchanged till 1st December 1947. On 19th January 1948, there was a considerable relaxation in the control over yarn and cloth, and the fixing of prices was left to the industry, but the stamping of prices of yarn and cloth continued. The industry issued a new schedule, which showed increases in price by  $6\frac{1}{2}$  per cent. in respect of superfine,  $12\frac{1}{2}$  per cent. in respect of medium and fine and 25 per cent. in respect of coarse varieties.

On 24th April, control over the prices and distribution of yarn and cloth was entirely lifted. And there was a sharp rise in prices which were reported to be 50 to 200 per cent. higher than the control prices fixed and stamped by the industry after 19th January 1948.

(b) *Basis of price adjustments.*—It is important to note that the control prices for cotton yarn and cloth during the period in question were not based upon any adequate cost investigation. To start with, the prices of the principal categories of yarn and cloth then ruling in the market were taken as the base prices. These base prices were progressively reduced from time to time as a result of discussions between Government and the Industry's Committee of the Textile Control Board. The prevailing cotton prices, changes in wage levels and taxation rates, variations of profits as disclosed by the published balance sheets of cotton mills and, more generally, the need for affording relief to consumers and for counteracting inflationary forces, were the factors considered in these discussions regarding alteration of prices. Thus, although the prices of cotton yarn and cloth had been reduced to an appreciable extent from their peak levels, neither Government nor the public had any means of judging whether these reductions were adequate and whether the control prices were not still excessive.

(c) *Industry's demand for an increase in the prices of cloth and yarn.*—The reduction in the prices of yarn and cloth made in November 1945 was heavier in the case of coarse and medium varieties of cloth than in that of fine and superfine varieties, mainly because the prices of Indian raw cotton had declined during the months of September, October and November 1945. Soon, however, the prices of Indian raw cotton began to rise and the Industry's Committee asked for an increase in the ceiling prices of coarse and medium qualities of yarn and cloth. Moreover, under the new Factories Act of 1946, the hours of work for factory workers were reduced from 9 to 8 hours per shift with effect from 1st August 1946. The Industry's Committee of the Textile Control Board argued that a reduction in working hours without a corresponding reduction in wages would automatically increase the manufacturing costs and that, with such increased costs, the manufacture of coarse and medium varieties of yarn and cloth at the then existing level of ceiling prices would become unremunerative. It was stated by the Committee that unless the prices of coarse and medium yarn and cloth were increased, the manufacturers would be compelled to change over to finer counts, which had become more remunerative, and that such a shift would result in a fall in the overall production of cloth. At the same time, the Committee offered a small reduction in the prices of the fine and superfine varieties. Government, however, considered it inopportune to make any upward revision in the prices of coarse and medium cloth. A suggestion was made to the industry for the working of a scheme of equalisation fund, whereby coarse and medium cloth production could be subsidised by a levy on fine and superfine varieties of cloth. The Industry's Committee, after prolonged discussion, found such a scheme undesirable and unworkable and adhered to the original demand for an increase in the prices of coarse and medium varieties of cloth. As public opinion in the country had been prejudiced by the high profits made by the industry during the latter part of the war, Government thought it undesirable to sanction any increase in the prices of

coarse and medium yarn and cloth without a thorough inquiry into the cost of production. They, therefore, appointed an *Ad Hoc* (Departmental) Committee on 1st March 1947 to review the structure of yarn and cloth prices and recommend measures for an increase in production. This Committee formulated a "Standardisation Scheme", whereby it was proposed to increase the output by reducing the types and varieties of cloth and yarn produced by the mills. It was also proposed that the average counts produced by the mills should be lowered by approximately 10 per cent. It was expected that by lowering the average counts of yarn spun by the mills, production of cloth could be increased by about 800 million yards per year. The *Ad Hoc* Committee also recommended a revision in the structure of cloth and yarn prices. It was proposed that the prices of coarse and medium counts of yarn up to 36's should be increased, but that those of higher counts from 40's upwards should be reduced by varying amounts. The proposed increases in the prices of coarse and medium varieties of cloth and yarn were meant to compensate for the increase in the prices of Indian raw cotton and in wages, so that the production of coarse and medium cloth and yarn might be made remunerative and thereby the tendency of the mills to go 'finer' might be checked. Before taking a decision on these recommendations of the *Ad Hoc* Committee, Government referred the Committee's Report to the Commodities Prices Board, for its comments. The Board expressed the view that an adequate case had not been made out for an increase in the price of coarse and medium cloth and yarn, but suggested that, if any adjustments were found to be necessary to make coarse and medium cloth and yarn sufficiently remunerative, it should be brought about by instituting an equalisation fund, whereby a levy might be put on fine and superfine varieties and its proceeds utilised to subsidise the production of coarse and medium varieties.

(d) *Reference to the Tariff Board.*—After considering the Reports of the *Ad Hoc* Committee and the Commodities Prices Board, Government came to the conclusion that the matter required a further investigation. Accordingly, the case was referred to the Tariff Board in Resolution No. 88(T)-Tex.1/47, dated 17th November 1947, of the Ministry of Industry and Supply, Government of India. Soon afterwards, however, Government decided on a policy of gradual decontrol of commodities, and in pursuance of that policy, they announced on 19th January 1948 their decision to make considerable relaxation in the control over cloth and yarn. The standardization scheme, as originally contemplated, was not enforced. The fixation of ex-mill and retail prices was left to the industry, but these were stamped on yarn and cloth. The equalisation fund was closed. The system of cloth quota holders was abolished, and the distribution of cloth was restored to normal trade channels. Although the fixation of prices was now left to the industry itself, Government decided that the Tariff Board inquiry into the prices of cotton cloth and yarn should continue, with a view to enabling Government and the public to satisfy themselves that the consumer was not charged a higher price for cloth than was justified. A further step in the decontrol of cloth and yarn was taken on 24th April 1948, when Government decided that, with immediate effect, the stamping of ex-mill and retail prices of cloth should be discontinued. The regulations regarding the movements of cloth and the tex-marking were, however, continued. Control over distribution of yarn was also discontinued.

LS15ITBB



Control over the distribution of mill stores was, however, retained, except as regards dyes and hydro-sulphide of soda, which were allowed to move freely through normal trade channels. It will thus be seen that the control over distribution and prices of cloth and yarn, which had been introduced in December 1943, was now almost completely lifted.

2. (a) The original terms of reference to the Board, as contained in Government of India, Ministry of Industry and Supply, Resolution No. 88(T)-Tex.1/47, dated 17th November 1947, were as follows :—

**Terms of reference.**

- “(i) To inquire into the cost of production of the various types of cloth and yarn produced, and to recommend fair ex-mill prices to be paid for cloth and yarn, with special reference to the changes created by the introduction of the Standardization Scheme.

In making their recommendations, the Board will keep in mind the desirability of maintaining the production of all mills at the maximum level, while at the same time ensuring that the profits of the more efficient units will not thereby become excessive. If the Board consider that it would be impracticable to settle a level of prices which would balance these two requirements, they may consider whether prices cannot be kept down to reasonable levels with a subsidy or similar relief to sections or units of the industry whose production cannot otherwise be maintained. If special circumstances apply to mills engaged in the production of yarn alone, the Board will take those circumstances into consideration when making their recommendations.

- (ii) To advise on the adjustment to be made from time to time to the ex-mill prices recommended by them for cloth and yarn, so as to allow for fluctuations in the prices of raw cotton and in other elements of the cost of production.
- (iii) In the event of subsidy or other relief being recommended for certain sections or units of the Industry under (i) above, to suggest ways and means of finding the necessary funds.
- (iv) To recommend in what forms the co-operation of labour should be secured in order to increase production and eliminate waste or leakage.
- (v) To advise Government generally on the existing system of control on production and distribution of cloth and yarn, and on its continuance.”

(b) Consequent on the decision of Government on 19th January 1948 to make considerable relaxation in the control of cotton cloth and yarn, the details of which have been mentioned earlier, the scope of the Board's inquiry was narrowed. In the first place, the estimate of fair ex-mill prices of cloth and yarn was no longer required to be related to the Standardization Scheme. Secondly, the Board was not now required to advise Government generally on the control of production and

distribution of cloth and yarn, and its continuance. This necessitated a change in the Board's terms of reference. The revised terms of reference were notified in the Commerce Ministry's Resolution No. 28-T(46) 47, dated 6th March 1948. The revised terms are as follows :—

- “(i) To enquire into the cost of production of the various types of cloth and yarn produced and to estimate fair ex-mill prices of cloth and yarn ; and
- (ii) To devise a suitable method for necessary adjustments from time to time in the fair ex-mill prices of cloth and yarn so as to allow for major fluctuations in the prices of raw cotton and other elements of cost of production.”

3. The purpose and scope of this inquiry must be interpreted with

**Purpose and scope of inquiry.**

reference to the circumstances in which the inquiry was instituted. Those circumstances have been explained earlier. It will, however, be convenient to recapitulate them here. During the period from December 1943 to March 1947, the control prices of cloth and yarn were fixed practically on the basis of the estimates made by the Industry's Committee of the Textile Control Board. The *Ad Hoc* Committee recommended an increase in the prices of coarse and medium varieties and a reduction in those of fine and superfine varieties. The Commodities Prices Board, however, did not favour any such increase in the prices of the coarser and medium varieties but suggested that, if an increase was considered necessary, an equalisation fund should be instituted to subsidise the production of coarse and medium varieties by a levy on fine and superfine varieties. Subsequently, in January 1948, Government partially decontrolled cloth and yarn and left the fixation of prices to the industry itself. Some three months later, on 24th April 1948, the prices of cloth and yarn were completely decontrolled. There was immediately an enormous increase in the prices of yarn and cloth. In the meantime, six Bombay mills, *viz.*, Bombay Dyeing, Tata, Swadeshi, David, Edward and Simplex, announced that the prices at which they were selling their standard cloths in bulk to wholesale merchants were not more than 45 per cent. above the prices fixed on January 20, 1948 (*vide Sunday News of India*, 9th May, 1948). Government took a serious view of this extraordinary increase in prices immediately after decontrol. There were also complaints from the public practically throughout the whole country that the prices ruling after decontrol were excessively high and beyond the reach of the common people. Mill-owners in their turn replied that the ex-mill prices charged by them were fair and reasonable, that the prices charged in their fair price shops were not excessive and that if the retail prices actually paid by the consumers in the market had become excessively high, the millowners could not be held responsible for it. On the other hand, the representatives of cloth merchants and dealers stated that even during the period of partial decontrol from January to April 1948, many mills had been charging prices higher than the stamped prices, that quite a number of mills in expectation of decontrol had not stamped and released the cloth produced in the latter part of the control period, and that some mills at any rate had been selling cloth at different prices to different sets of customers. In the midst of these charges and counter-charges by the mills on the one hand and the merchants and dealers on the other, it

was extremely difficult for Government and the public to judge whether the prices charged at different stages of distribution were fair or excessive, and if they were excessive at some or all of the stages of distribution, who were the parties exactly responsible for it. The object of this inquiry is, therefore, to find out whether the prices fixed at different periods during control and those charged by the mills and distributors after decontrol have been fair to the producers and distributors on the one hand and to the consumers on the other. For this purpose, we have carried out a detailed investigation into the cost of production of certain principal categories of cloth and yarn at 16 representative mills located in different regions of the country. Our cost investigation covers three different periods : (i) January-June 1947, the latest period for which the details of cost could be collected from the audited accounts of the mills concerned, (ii) January 1948, when cloth and yarn prices were partially decontrolled and the fixation of prices was left to the industry itself, and (iii) April 1948 when control was lifted. We have framed a schedule of fair ex-mill prices of the principal categories of cloth and yarn for each of these three periods. The method of analysing cost and preparing estimates of fair ex-mill prices is explained at length later in the Report. It may be stated here that while the estimates for the first period are based upon the actual cost data collected from the audited accounts of the mills concerned, the estimates for the second and third periods bring the cost data of the first period up-to-date by making necessary adjustments for changes in the prices of raw cotton, stores and wages. We then compare the schedule of the *estimated* fair ex-mill prices with the schedule of the ex-mill prices as fixed by the Textile Commissioner in the first period, by the industry in the second period, and by the mills individually in the third period. In order to give a clear and complete picture, we have set down side by side our estimates of fair ex-mill prices and the ruling prices of different periods.

4. On 19th December 1947, the Board issued a preliminary questionnaire to 59 mills all over the country, inquiring

**Method of enquiry.**

about the types of cotton cloth and yarn produced by them. This information was required to enable the Board to select a few mills for costing. In making the selection, the Board took into consideration the size of the mills as well as the types of cloth and yarn produced by them. There are more than 400 cotton textile mills in India. But, it was not feasible to cost all the mills, nor was it necessary to do so, in order to obtain data for estimating fair ex-mill prices of the principal categories of cotton cloth and yarn. It was enough for this purpose to select a few representative mills in each important zone of cloth and yarn production and investigate their actual costs and then adopt those costs as the basis for estimating fair ex-mill prices of cloth and yarn for the country as a whole. A few representative mills were, therefore, selected by the Board for the purpose of cost investigation. A general questionnaire was issued on 27th December 1947 to all interested parties. Replies were called for by 20th January 1948. A copy of this questionnaire is given in Appendix f. A press note was also issued on 29th December 1947, giving the Board's (original) terms of reference and inviting persons, who desired their views to be considered by the Board, to send their representations. On 19th January 1948, Government announced considerable relaxation in the control over cotton cloth and yarn. In view of this development,

the Board's (original) terms of reference needed revision. The revised terms of reference were notified by Government on 6th March 1948. The Board framed a new questionnaire and issued it on 10th March to the Mill-owners' Associations, Trade Unions, East India Cotton Association, Bombay Shareholders' Association, Chambers of Commerce, members of the All India Handloom Board, Directors of Industries, and a few prominent individuals known to have an intimate knowledge of the working of the cotton mill industry. The last date for the submission of replies was fixed as 8th April 1948. A copy of the revised questionnaire is given in Appendix II. On 18th March 1948, a press communique was also issued stating the revised terms of reference and intimating that a revised questionnaire was ready and could be had on application to the Office of the Board. A list of the Associations or persons who replied to the questionnaire or submitted memoranda will be found in Appendix III. Five mills were visited by the President and/or Members of the Board; three in Bombay, one in Calcutta, and one in Madras. The details of these visits are given in Appendix IV. Copies of the cost estimates were sent to all the costed mills, and they were given an opportunity to discuss those cost estimates with the Board's Technical Adviser and Cost Accounts Officers. Only three mills, namely, Madhusudan and Raghuvanshi Mills, Bombay and Rajkumar Mills, Indore, availed themselves of the opportunity, and discussed the estimates with those officers in the Board's office on 22nd April, 23rd April and 10th May respectively. A public inquiry was held on 4th, 5th, 6th, 7th and 12th May 1948. As there were no recognised consumers' associations in India, the Board had some difficulty in selecting the consumers' representatives. After considering the matter carefully, the Board decided to invite four Members of the Constituent Assembly (Legislature) and one Member of the Bombay Legislative Assembly, as representatives of the consumers of cloth, and the Directors of Industries, Bihar and Madras, as representatives of handloom weavers to give evidence before the Board. A list of the Associations and persons, who were invited to attend the inquiry, is given in Appendix V, and a list of those who attended the inquiry and were examined is given in Appendix VI.

5. There are at present about 400 cotton textile mills located in different parts of the country. Appendices VII (A) & (B) show the distribution of the cotton mills, classified by locality, number of spindles and number of looms. The mills vary widely in respect of size, efficiency, age of machinery and advantages in regard to supply of labour, raw material and stores and facilities for transport. They also differ in respect of management and financial facilities. Further, there is an enormous range of variety of yarn and cloth produced. It is, therefore, impossible to investigate the cost of production at all the mills in respect of all the different varieties of yarn and cloth that they manufacture. In a case of this nature, the most practicable method of procedure in costing is to select a few typical or representative mills so that their cost of production may be taken to cover a great majority, say, 80 to 90 per cent, of the mills in the country. The remaining 10 to 20 per cent may be regarded as infra-marginal or units below the average. Such representative mills should have an average economic size and a reasonable degree of efficiency. Their plant should be balanced and their machinery should be neither quite new nor very old. Their

workers should also possess an average measure of efficiency. So also with regard to management and availability of financial facilities. To be able to select representative mills in this sense, it would be necessary to obtain full statistical and economic data in respect of all the mills. But, unfortunately, such data are not available in respect of the majority of the mills in the country. In these circumstances, the Board proceeded to select the mills by the following method. First of all, the mills in the different zones were classified into groups according to the number of looms and spindles. From each zone, again, the largest group of mills was selected, which could be regarded as the representative group for that zone. Out of this group, again, two or three mills were selected with reference to the variety of cloth and yarn woven, availability of satisfactory cost data and fairly definite knowledge about their efficiency. On this basis, 18 mills were selected in the first instance. Of these 18 mills, however, one mill in Ahmedabad, namely, Silver Cotton Mills, had to be dropped because the accounts were kept in Gujarati and also because, after a preliminary examination, the data were found to be inadequate. This was substituted by another mill in the same centre. In the case of a second mill, namely, John Spinning & Weaving Mills, Agra, when our investigation had proceeded half way, the mill was sealed under the orders of the Income-tax authorities. This investigation had also, therefore, to be abandoned. In the case of a third mill, namely, Atherton Mills, Kanpur, the management pleaded insufficiency of clerical staff and inability to give necessary facilities for investigation to our Cost Accounts Officer. Consequently, another mill was selected from the same centre. In a fourth case, namely that of Victoria Mills, Calcutta, when the cost data were tabulated, it was found that its output in the period January—June 1947, was very low. Its cost data had, therefore, to be left out of account in preparing our estimates. Our final selection, thus, included 16 mills, which are listed as under :—

*Mills selected for cost investigation.*

C = Composite mills. S = Spinning mills.

Representative Size.		Mills selected		
		Spindles	Looms	Class of cloth and yarn manufactured.
40,000-80,000 spindles and 1,000-2,000 looms.	(a) Bombay City.			
	(1) Madhusudan Mills (C)	55,812	1,742	c, m, f, sf.
	(2) Standard Mills (C)	51,696	1,677	c, m, f, sf.
	(3) Modern Mills No. 1 (S)	23,976	..	c, m, f, sf.
	(4) Raghuvanshi Mills (S)	32,288	..	c, m, f.
20,000-40,000 spindles and 500-1,000 looms.	(b) Ahmedabad.			
	(5) New Swadeshi Mills (C)	26,144	720	m.
	(6) Rohit Mills (C)	27,580	642	m, f, sf.
	(7) Hathising Manufacturing Co. (S).	13,416		c.

Representative size.		Mills selected		
		Spindles	Looms	Class of cloth and yarn manufactured.
<i>(c) Bengal and Bihar.</i>				
(1) Below 10,000 spindles & below 250 looms.	(8) Bangeswari Cotton Mills (C).	9,800	300	m, f, sf.
(2) 20,000-40,000 spindles & 500-1,000 looms	(9) Mohini Mills No. 2 (C) ..	16,576	334	m, f, sf.
<i>(d) South India.</i>				
20,000-40,000 spindles and 250-500 looms.	(10) The Somasundaram Mills (C).	23,200	390	m, f, sf.
	(11) Kaleeswarar Mills (C) ..	43,260	295	c, m, f, sf.
	(12) Pankaja Mills (S) ..	25,276	..	c, m, f, sf.
	(13) Asher Textiles (S) ..	14,000	..	m, f.
<i>(e) Central India and C. P.</i>				
10,000-20,000 spindles and 250-500 looms.	(14) Rajkumar Mills (C) ..	19,728	700	c, m, f.
	(15) Rekhchand Gopal das Mohta Mills (C).	21,876	466	c, m
<i>(f) Upper India (U. P. Zone).</i>				
20,000-40,000 spindles and 500-1,000 looms.	(16) Cawnpore Textiles(C) ..	23,936	510	m.

The above figures are taken from the Mill Statement for 31st August 1947, as published by the Millowners' Association, Bombay.

Note.— c=Coarse=up to 16s count.

m=Medium=from 17s count to 35s count.

f=Fine=from 36s count to 47s count.

sf=Superfine=48s count and above.

The list contains 11 composite mills and 5 purely spinning mills. It will be noticed that some of the mills in the above list do not fall within the limits laid down for the representative size in each different zone. Although they are somewhat larger or smaller than the representative size fixed by us, we believe that they come near enough to the representative group to be satisfactory for our purpose. As regards the efficiency of machinery and management of the mills, we were mainly guided by the available balance sheets and records of production and by the advice of our Honorary Technical Adviser. It may also be mentioned that the Millowners' Associations concerned, to whom the names of the selected mills were communicated at an early stage of the inquiry, with one exception, made no comments as to the representative character of the mills selected.

6. (a) *Scope.*—(i) *Types of yarn and cloth.*—On the basis of the Scope and method of costing. cost data collected from the 16 costed mills for the period January—June 1947, costs have been tabulated for 40 different counts of yarn ranging from 2s to 100s counts and 102 varieties of cloth, forming the bulk of production at the costed mills. Out of the 40 counts of yarn, again, 12 have been selected as key counts for preparing our final estimate of fair ex-mill price of reeled yarn. The selected counts are as under :—

6s—Spun by 1 mill in Bombay.

10s—Spun by 1 mill in South India and 2 mills in Bombay.

14s—Spun by 1 mill in Central India, and 1 mill in Bombay spinning both on the mule and ring spindles.

16s—Spun by 2 mills in Bombay, 1 in Ahmedabad, 1 in South India and 1 in Central India.

20s—Spun by 2 mills in Bombay, 2 in South India and 1 in Central India.

30s—Spun by 1 mill in Bombay and 1 in South India.

40s (Indian Cotton)—Spun by 1 mill in Bombay and 3 in South India.

40s (African Cotton)—None of the 16 mills actually spun 40s reeled yarn from African cotton. We have, however, got the cost data for 42s weft yarn spun by a mill in Ahmedabad and adjusted the same to determine costs for 40s.

60s (Egyptian cotton carded)—Spun by 1 mill in South India.

60s (Egyptian cotton combed)—Spun by 1 mill in Bombay.

80s (Egyptian cotton carded)—Spun by 1 mill in South India.

80s (Egyptian cotton combed)—Spun by 1 mill in Bombay.

(N.B.—The cost figures collected by our Cost Accounts Officers include cost data relating to 2 counts of yarn spun from cotton waste, viz., 1½s and 2s, which have been found to be unsatisfactory. We could not, therefore, use these as the basis for estimating fair ex-mill prices for these and other counts of yarn spun from cotton waste).

As regards cloth, out of the 102 varieties costed, we have selected 43 varieties of grey cloth woven in long length pieces, that is, excluding dhoties, sarees, towels, etc., and have estimated their fair Realization Multipliers. The Realization Multipliers for each variety of cloth made by different costed mills but linked to the same group in the Schedule were averaged out, for each of the three periods. It may be mentioned that the Textile Control Board fixed ex-mill prices on the basis of a Schedule of Realization Multipliers for all cloths (in annas per pound of yarn woven). The ex-mill prices worked out for all varieties of cloths on the basis of such a Schedule were applicable for the period from 1st February 1946 to 30th November 1947 (see Appendix VIII). The 43

varieties of cloth we have costed fall within the following groups of the Schedule :—

COUNTS				
Group 1	Warp 2	Weft 3	Reed 4	Picks 5
<i>Indian Cotton</i>				
III	14	10	40	40
IV	14	14	44	44
V	20	20	52	52
VI	20	30	54	54
VII	30	30	56	56
VIII	30	40	62	62
<i>Imported cotton and carded</i>				
IX	40	40	66	66
<i>Imported cotton and combed</i>				
XIII	60	80	74	74

The production of the 43 selected varieties of cloths mentioned above is distributed among the costed mills as follows :—

Group	No. of varieties of cloth.	No. of mills producing.
III	3 varieties	1 mill in Central India.
IV	2	1 variety each by 2 mills in Bombay.
V	14	4 by 1 mill in Ahmedabad, 6 by 1 mill in Bombay, 1 by a second mill in Bombay, 2 by 1 mill in Indore, and 1 by 1 mill in Kanpur.
VI	2	1 mill in Bombay, and 1 mill in Calcutta.
VII	7	5 by 1 mill in South India, 1 by a Bombay mill, and 1 by a Calcutta mill.
VIII	4	3 by 1 mill in South India, and 1 by a mill in Indore.
IX	8	5 by 1 mill in Ahmedabad, 2 by 1 mill in Calcutta, and 1 by one mill in Bombay.
XIII	3	2 by 1 mill in Bombay, and 1 by 1 mill in Ahmedabad.

It will be seen that the list contains only 8 groups as compared with 16 groups included in the Schedule of Realization Multipliers adopted by the Textile Control Board. The omission of the remaining 8 groups, namely, groups I and II, X to XII, XIV to XVI, is due to two reasons.  
LS16ITBB



In the first place, none of the costed mills produced grey cloths of (long length pieces) falling within groups I and II and X to XII. Secondly, under the standardization scheme brought into operation from 1st December 1947, spinning of counts finer than 80s has been prohibited. Although the standardization scheme itself has been dropped, the prohibition of spinning of counts finer than 80s still continues. Consequently, we have costed cloths up to group XIII, that is, up to 60s warp and 80s weft, and left out groups XIV to XVI which include warps from 70s to 100s and wefts from 90s to 120s. From the cost data for the eight groups we have costed, we have, however, worked out the Realization Multipliers for groups I and II, and X to XII, and included these as well in the Schedule.

(ii) *Costing periods*.—Our Cost Accounts Officers have examined the actual cost data at the 16 mills for the period January—June 1947, which is the latest period for which complete cost figures were available. To start with, we have taken this period as the base period and the cost data relating to this period constitute our basic data. Detailed cost reports relating to each individual mill as well as a consolidated cost report for all the mills taken together have been prepared. As the managements of the mills concerned have desired that the detailed cost data of the individual mills should be kept confidential, they are not included in this report, but are given in the Cost Accounts Officers' reports which are being submitted to Government separately as confidential enclosures. On the basis of those actual cost data, we have prepared estimates of fair ex-mill prices of the main counts of cotton yarn and Schedule of Realization Multipliers for cloths for the period January—June 1947. We have also prepared estimates of fair ex-mill prices of cotton yarn and Schedule of Realization Multipliers for cloths for January 1948 and April 1948 on the basis of cost data for January—June 1947 and after making due allowance for changes in the cost of cotton, wages, stores, and fuel and power.

(b) *Elements of cost*.—Costs have been analysed under three main heads :—

(I) *Cotton*.—For the period January—June 1947, the average cost of cotton to the mills with a few necessary adjustments and inclusive of all incidental charges, has been taken. For January 1948 and April 1948, the replacement cost of cotton to the mills has been taken on the basis of average prices of different varieties of cotton at which actual transactions took place in the Bombay Cotton Market as reported by well-known firms on the different days of the week ending 3rd January and the week ending 10th April 1948, respectively.

(II) *Manufacturing charges* comprising.—(i) *Wages*.—These include the mills' actual expenditure on basic wages, dearness allowance, bonus and leave with pay. All the relevant awards of Industrial Courts and/or Arbitration Boards have been taken into account.

(ii) *Stores*.

(iii) *Power and fuel*.

(iv) *Overheads*, exclusive of the items given in (III) below.

(III) *Depreciation, interest on working capital and return on fixed capital.*—These three items are discussed later in paragraphs 7 to 10.

(c) *Cost analysis.*—(I) *Spinning.*—The cost of spinning has been worked out in two stages :

(i) cost per lb. from blow-room to roving, and

(ii) cost of ring or mule spinning as the case may be.

This gives the cost of spinning per lb. of yarn up to the spindle point. In the case of composite mills, cost of yarn used as warp and weft for weaving has been taken at the spindle point. In the case of yarn reeled and sold, reeling, bundling and baling costs are added to arrive at the cost of reeled yarn. From the cost of yarn at the spindle point is deducted  $2\frac{1}{2}$  per cent. of the cost of yarn to allow for the net moisture regain (that is,  $3\frac{1}{2}$  per cent. for standard moisture regain minus 1 per cent. for wastage caused in reeling). We have also worked out the doubling costs of certain typical counts of two-fold yarn and found that they are about the same as were fixed by the Textile Control Board. We have, therefore, accepted the Textile Control Board's figures for this purpose and accordingly worked out the fair ex-mill prices of two years.

(II) *Weaving.*—Weaving costs have been calculated in a detailed manner by working out the cost of each process separately, as, for example, winding of warp, winding of weft (if done), warping, sizing, drawing-in, weaving, calendering, folding and packing.

(d) *Adjustment of discrepancies in cost data.*—The cost data of some of the mills for the basic period, i.e., January—June 1947 are found to be inconsistent in certain respects. The relevant cost figures have, therefore, been suitably adjusted to remove discrepancies and anomalies revealed by them. The main adjustments made are indicated below :—

(i) Though departmental production figures are maintained by most of the mills, the figures of departmental input and output in some of the mills are found to be inconsistent. Where the figures have shown discrepancies, suitable adjustments have been made.

(ii) In the case of two mills in Bombay and one mill in Calcutta, satisfactory cost data are not available for all the 6 months of the basic period (January—June 1947). We have, therefore, taken only one month's cost data in the case of the two Bombay mills and two months' cost data in the case of the Calcutta mill for the purpose of costing.

(iii) Figures of raw cotton costs given by certain mills have shown wide divergences from those given by the other mills in respect of the same count of yarn spun by them. Similar discrepancies have also been seen in respect of recovery percentage for cotton. The relevant figures in these cases have been adjusted by reference to types of mixings used, counts of yarn spun and spinning production per spindle shift of 8 hours.

The figures of actual production of yarn given by certain mills have been found to be below normal. These have been scrutinised and adjusted with reference to normal production per spindle shift for each count.

(e) *Processing charges*.—For the purpose of estimating bleaching, dyeing, finishing and other charges listed in the Schedule of Realization Multipliers for all cloths (see Appendix VIII), we have examined the available figures collected from Rohit Mills, Ahmedabad and Standard Mills, Bombay. We have found that the charges given in that Schedule for items 1 to 12 and 17 tally approximately with our estimates. With regard to all the remaining items, except item No. 27, we have been unable to prepare estimates of fair charges, due to lack of accurate cost data. So far as item 27 (compensatory allowance for coal) is concerned, our estimate is given in the statement of break-up of fair ex-mill prices of yarn and of Realization Multipliers for cloth.

7. The cost analysis given in paragraph 6 above leaves out depreciation, interest on working capital, return on fixed capital and managing agency commission. We shall now discuss these four items.

**Financial Items.**

8. (a) *The present law and practice*.—It is possible to hold widely varying opinions as to the rate at which depreciation on the block should be allowed for the purpose of costing. The 1926 Tariff Board on the Cotton Textile Industry held that depreciation should be the first charge on production and recommended that the rates should be the same as were allowed by the income-tax authorities at that time, viz., 2½ per cent. on buildings, 5 per cent. on machinery and 7½ per cent. on bleaching and dyeing plant. The 1932 Tariff Board on the Cotton Textile Industry estimated the ratio at which depreciation was actually allowed by the mills on buildings, machinery and bleaching and dyeing plant and worked out an average depreciation at 3½ per cent. The 1936 Tariff Board allowed depreciation at 4 per cent. It should be noted that before 1941, depreciation was calculated by the income-tax authorities as well as by the successive Tariff Boards with reference to the original value of the block. Since 1941, however, the income-tax authorities have allowed depreciation on the written-down value of the block. At present, the rates allowed for income-tax purposes are as follows :—

**Depreciation.**

**I. Buildings :**

- |  |    |               |
|--|----|---------------|
| (a) First-class substantial buildings .. | .. | 2.5 per cent. |
| (b) Second-class buildings ..            | .. | 5 per cent.   |
| (c) Third-class buildings ..             | .. | 7.5 per cent. |
- (Double these rates are allowed for factory buildings excluding office, godowns, officers' and employees' quarters).

**II. Machinery and plant for the cotton textile industry 10 per cent.**

(An extra allowance up to a maximum of 50 per cent. of the normal rate is given by the income-tax officer wherever the concerns claim such allowance on account of double or multiple-shift working. This extra allowance will be proportionate to the number of days during which double or multiple shifts are worked).

But the actual practice of the mills regarding allocation to depreciation varies from year to year, depending upon the amount of the gross profits earned. When the gross profits are low, the amount set aside by the mills for depreciation falls below the standard laid down by the income-tax authorities ; when, on the other hand, the gross profits are high, the amount set aside for the purpose is equal to, and sometimes higher than such standard. Thus, the average provision for depreciation made by the four costed mills in the Bombay region was as low as 2.04 per cent. of the gross block in 1938-39 and as high as 9.16 per cent. in 1940-41. Similar wide variations are also shown by the figures relating to the costed mills in other zones. The figures of depreciation actually set aside by the 16 costed mills are given in Appendix IX.

(b) *Claim for a higher rate of depreciation.*—The spokesmen of the millowners represented to us that the plant and machinery in most of the cotton mills in India had become old and worn out and would require replacement at a very early date. It was further stated by them that the cost of such replacement would be three or four times the pre-war cost. They, therefore, suggested that in making allowance for depreciation, the present replacement cost of the plant and machinery should be kept in view. We have carefully considered this suggestion but have found some practical difficulties in accepting it in full. It is true that in periods of stable or falling prices as well as in times of slow technological changes, the cost of replacement will, as a rule, be about the same as or less than the original cost of the block. In such cases the cost of replacement should be met out of the normal depreciation fund. But in times of rising prices, replacement will involve a higher cost than the original value of the block. Likewise, during a period of rapid technological changes, replacement cost will be higher, for, at such a time replacement is not merely the installing of an identical plant but involves 'betterment' as well, that is, the use of an improved and perhaps a bigger plant. We consider that it will be convenient for the purposes of accounting as well as for clear analysis, if these several factors of replacement cost are treated separately. While the normal depreciation fund should contribute towards writing down the original cost of the block, special reserves would be necessary to meet the higher cost of replacement due to inflationary prices and betterment of the plant. Strict principles of business management would require that such special reserves should be built up year by year out of the annual profits by regulating the payment of dividends to the share holders. Most of the mills in India have built up good reserves during the last 8 or 9 years of high prices and large profits. Whether these reserves are adequate for the replacement of plant and machinery will be examined by us later when we consider the question of a return on the fixed capital. At this stage therefore, we confine ourselves to determining a reasonable rate of depreciation that should be allowed for the purpose of fixing fair ex-mill prices.

(c) *The rate allowed by the Board.*—In this connection, we have had some useful data to guide us. First of all, the Bombay Millowners' Association has given us certain figures of what the Association has called 'depreciation due' for the Bombay mills. This has been arrived at by taking 2½ per cent. depreciation on the original block cost of buildings

and 5 per cent. on that of machinery. For the years 1940-45, the average value of the gross block of these mills comes to Rs. 3,463.60 lakhs per annum. For the same period, the average depreciation on this basis comes to Rs. 141.35 lakhs per annum, or 4.08 per cent. of the average gross block. For the same period, the average depreciation per annum allowed by the Income-tax Department comes to Rs. 155.17 lakhs, which works out to 4.48 per cent. on the average gross block. Again, for the period 1941-46, the average value of the gross block per annum of the Ahmedabad mills amounts to Rs. 1,975 lakhs. The average depreciation written off by the mills for the same period was Rs. 95.90 lakhs, or 4.86 per cent. on the average gross block. Both these cases include years of very high profits. Taking the year 1945, which may be regarded as a prosperous year for the cotton mill industry, we find the position as follows. The amount of depreciation allowed by the Income-tax Department for the year 1945 for the Bombay mills works out to 3.8 per cent. of the original block. The actual depreciation written off by the Ahmedabad mills in the same year amounts to 4.1 per cent. of the gross block. The statement giving the relevant figures will be found in Appendix X. After considering these figures of depreciation allowance claimed by the Bombay mills and actually allowed to them by the Income-tax Department and also the amount of depreciation written off by the Ahmedabad mills, we have come to the conclusion that a rate of 4 per cent. on the gross block will be an adequate provision for depreciation at the present time. This is the rate which we have allowed in estimating the fair ex-mill prices.

9. (a) *Basis of determining the amount of working capital.*—Interest

Interest on working capital must also be regarded as an essential element in the cost of production. The amount of the working capital required depends upon two main factors : (a) the period of turnover, and (b) the total cost of production per period of turnover. Most of the millowners' associations in India have stated in their replies to the Board's questionnaire that whereas in the prewar years, the working capital required was roughly equal to 4 months' cost of production, the corresponding period in the present circumstances should be taken as 6 months. They have based the claim for this larger amount of working capital on the ground that, in the present state of uncertainty regarding the supply of cotton and stores and of transport difficulties, the mills have to maintain stocks of at least 6 months' requirements of cotton and stores. The Upper India Chamber of Commerce has claimed that the mills in the northern zone would require at least 9 months' cost of production as working capital because they have to carry larger stocks of cotton and stores. Our Honorary Technical Adviser has, however, informed us that the average stocks of cotton maintained by the cotton mills in India are approximately equal to 4 months' requirement. Moreover, in the present condition of strong demand and short supply of cloth, we believe that the period of turnover should not, in any case, be longer than that in prewar years. The 1932 Tariff Board on the Cotton Textile Industry allowed 4 months' cost of production as working capital. We consider that, in the present circumstances also, 4 months' cost of production should be adequate for the purpose.

(b) *Rate of interest.*—We have next to determine the rate of interest to be allowed on this working capital. The rate of interest suggested by the Bombay Millowners' Association is  $3\frac{1}{2}$  to 4 per cent., Ahmedabad Millowners' Association  $4\frac{1}{2}$  per cent., Bengal Millowners' Association  $4\frac{1}{2}$  per cent. to 7 per cent., Upper India Chamber of Commerce 6 per cent., Indian Merchants' Chamber, Calcutta, 4 to 7 per cent., Marwari Chamber of Commerce, Calcutta, 6 per cent., Delhi Cloth Mills 5 per cent., Madura Mills 5 per cent., and Krishnarajendra Mills, Mysore, 6 per cent. On the other hand, the Ahmedabad Textile Labour Association has stated that the mills do not have to borrow much for their working capital, because they have got considerable liquid reserves. This Association, therefore, has suggested that 2 per cent. interest on working capital would be adequate. The spokesmen of the millowners' associations have, however, informed us that, though many of the mills have got larger reserve funds than before, these funds are not always adequate to meet the working expenses and that even the financially strong mills have sometimes to go to the money market for borrowing working capital for short periods. We have also examined the balance-sheets of a number of mills and have found that their present reserve, though considerable, would require to be supplemented to some extent by borrowings to meet the requirement of working capital. The available evidence shows that the rate of interest paid by the mills for short-term working capital varies from 3 to 6 per cent. But, in view of the fact that the majority of the mills have got large reserve funds, they would be required to borrow only small amounts and for short periods, and also in view of the fact that the financial position of most of the mills is strong and their credit generally high, we consider that an allowance of 3 per cent. interest per annum on working capital should be adequate for the purpose. We have taken this rate in estimating fair ex-mill prices.

10. (a) *Employed capital, working capital and fixed capital.*—In recent discussions about the regulation of profits, it has been suggested that they should bear a relation to 'employed capital'. 'Employed capital', however, comprises (a) fixed capital which is more or less permanently sunk in land and buildings, and plant and machinery, and (b) circulating or working capital which is employed in buying raw materials and stores, power and fuel, paying wages and salaries, and meeting office expenses and certain other overheads. While both types of capital are essential to productive activities, they differ as to their source, liquidity, incidence of risk and normal rates of return. Fixed capital is derived mostly from paid-up share money, depreciation fund and reserves and sometimes through debentures. This capital is subject to double risks, namely (a) normal trade risks and (b) risks incidental to the trade cycle. On the other hand, working capital is derived mostly from liquid reserves, bank loans, private deposits, and sometimes, from share money. It is more liquid than fixed capital. The incidence of risks to which it is subject is, therefore, rather small. These differences between the two categories of capital would indicate that the return in the two cases must be different; it must, as a rule, be higher for fixed capital than for working capital. For purposes of analysis, therefore, we consider it desirable that the two categories of capital should be treated separately in fixing a reasonable return. There is also another distinct advantage in this

method of procedure. Whereas fixed capital can be more or less identified with certain tangible and measurable assets like land and buildings and plant and machinery, and working capital with prime costs and certain supplementary costs of production, 'employed capital', which consists of mixed items belonging to different categories, does not easily lend itself to being broken up into its constituent elements. The Bombay Millowners' Association, in a note submitted to us, has described 'employed capital' as comprising (a) paid-up capital *plus* (b) all reserves excluding taxation reserves, *plus* (c) loans including debentures and other loans, secured and unsecured, and other liabilities and outstanding debts due by the Company; *plus* (d) profits accruing during the year, *minus* (e) investments, if any, *minus* (f) cash on hand and at bank. In this case, item (c) loans, for instance, may be raised through debentures bearing a high rate of interest or they may be just short-term loans from banks or deposits carrying a low rate of interest. Then again, investments item (e) may be treasury bills or bank deposits carrying a very low rate of interest or long-dated Government securities carrying a higher rate of interest. In view of these difficulties in fixing a reasonable return on 'employed capital' as a whole, we have preferred to follow the method of breaking up the capital employed into two clear-cut and distinguishable parts, namely, working capital and fixed capital. This method was followed by the prewar Tariff Boards and also by the Interim Tariff Board. We have already dealt with working capital and fixed the rate of interest on it. We now proceed to discuss the question of fixed capital.

(b) *Cost of the block taken as the fixed capital.*—The question arises as to how the fixed capital of a mill is to be ascertained. In a new concern, the fixed capital is, as a rule, more or less identical with the paid-up share capital. But in an established concern, the block comprising land and buildings and plant and machinery has been built up from paid-up share capital, reserve fund, depreciation fund and sometimes out of debentures and loans. So far as the paid-up share capital is concerned, the whole of it may be taken to have been sunk in the block. As regards the depreciation fund, which is strictly meant to provide for replacement and renewals, it is difficult to ascertain what part of that fund has been actually spent in replacement and what part in extension of the block. Similar difficulties will arise in finding out what part of the reserve fund and loans has been actually spent in financing working capital and what part in extension of the block. Moreover, the four types of funds mentioned above differ from one another in respect of their source or origin, liquidity and risk-bearing. Thus, for instance, while the paid-up capital represents a definite contribution by shareholders out of their own pockets, the same cannot be said of the depreciation fund and reserves. As regards the depreciation fund, it is built up out of annual allocations to depreciation which forms part of the cost of production; it has, therefore, been already charged through prices. No further return can be claimed for it, even though it may be part of 'employed capital'. As regards reserve fund, this, as a rule, is built up out of the surpluses left over from time to time after the distribution of reasonable dividends to the shareholders. It is true that the ownership of the reserve fund belongs to the Company concerned or its shareholders. It is also true that it would be open to the

Company to fritter away the profits by distributing dividends, rather than build up reserves. It is, however, necessary to emphasise that the reserves are generally built up after paying reasonable dividends to the shareholders. The shareholders, cannot, therefore, claim the same rate of return on the reserve fund as on the paid-up share capital, though both are parts of 'employed capital'. And lastly, debenture and loan charges having been already debited to the mills before profits are declared, they cannot be considered again for the purposes of calculating the return on fixed capital. In determining a reasonable rate of return on fixed capital, therefore, it would, strictly speaking, be necessary to trace it to its diverse sources and then fix a return on each portion of it according to its source. But such a procedure would require a mass of financial data which are not available to us. In view of this difficulty, we have adopted the alternative method of fixing a return in relation to the cost of the fixed block.

(c) *The block taken at its pre-war cost.*—The block may be valued either at its original cost or at its replacement cost at current price. The spokesmen of the millowners' associations have stated before us that the replacement cost of a representative cotton textile plant at today's price would be 3 or 4 times the original cost of the block at pre-war price and they have claimed that, in fixing a return on the block, this should be kept prominently in view. We recognised that there is some force in the contention that in estimating the value of the block the cost of replacement should be taken because it is only on this basis that a projected new factory has to buy its plant and machinery. It may be noted that the pre-war Tariff Boards in their inquiries into steel, cotton textile and paper industries, fixed the value of the block on the basis of replacement cost. It may also be mentioned that the Costs Sub-Committee of the Working Party on the cotton textile industry appointed by the British Government in 1945 held the same view. They observe: "We hold unanimously that both depreciation and interest should for costing purposes be based upon current replacement value of plant, not only because that value alone provides a definite objective basis, but also because current values are normally the best index of the prices at which eventual replacement will take place". (*vide* page 52 of the Report of Working Party on Cotton). Although we agree that, as a rule, the replacement cost of plant should be taken for the purpose of calculating the return, we cannot, for a number of reasons, apply that principle in the present case. In the first place, the state of machinery differs considerably from mill to mill, depending upon its age and the care with which it has been used. Taking the cotton industry as a whole, it is not possible to say how much of the machinery requires to be replaced immediately and how much of it can still serve for production for varying periods of time. Secondly, even if all the machinery had become sufficiently worn out to require replacement in the near future, it would not be feasible to procure new machinery for all the mills in the near future. As a matter of fact, the Post-war Planning Committee on Cotton Textiles in its Report has emphasised this difficulty and planned for the procurement of cotton textiles machinery only to the extent of 27 per cent., 18 per cent. being for replacement and 9 per cent. for new projects. It is more than probable that the replacement will take place by stages over a period of about 12 to 15 years. It is not possible to say at the present time what the cost of replacement will

LSI51TB8



be at different in the future when actual replacement will take place. As already stated, most of the representatives of millowners' associations have stated before us that the cost of replacement would be about 3 or 4 times the pre-war cost. We have, however, made inquiries from persons intimately acquainted with the cotton textile industry, and have been informed that, according to the latest advices, the cost of replacement today would be  $2\frac{1}{4}$  to  $2\frac{1}{2}$  times the pre-war cost. We have been further informed by persons who have recently contacted the textile machinery manufacturers in U.K. that the price of textile machinery is likely to begin to go down in the near future and that in a period of 18 months or so, the price of machinery may go down to 175 or 180 per cent. of what it was in the pre-war period. Since it is not possible for us to forecast what the cost of replacement will be at different dates of replacement in the future, we have taken the pre-war cost of the block for the purpose of calculating the return. But in fixing a return on that block, we have taken into consideration the need for building up reserves over a period of 12 to 15 years which will considerably supplement the mill's present reserves for buying new plant and machinery.

(d) *The rate of return on the gross block.*—Return on the gross block should be sufficient to provide for (i) corporation tax and business profits tax, (ii) adequate reserves, (iii) managing agents' commission, and (iv) dividend on paid-up capital subject to income-tax (and super-tax in the case of very high income groups). The interim Tariff Board, as a rule, allowed a return of 10 per cent. on the block in the cases of war-time industries. But obviously, the cotton textile industry, which is the oldest and the largest industry in the country and which has achieved considerable prosperity and financial strength during the last few years, cannot be treated on the same basis as wartime industries for the purpose of return. The 1936 Tariff Board on the cotton textiles industry allowed a return of 6 per cent. on the gross block, which was then accepted as satisfactory by the textile industry as a whole. If a 6 per cent. return was deemed sufficient for the industry in 1936, a higher return cannot reasonably be claimed at the present time. But we did not consider it enough to be guided merely by a comparison of the present position with that of 1936. We have also considered whether a 6 per cent. return can reasonably provide for all the items indicated above. We have broadly examined the financial data available for certain important groups of mills and find that a 6 per cent. return on the gross block can adequately provide for all the items that must be covered by it. We have therefore allowed a return of 6 per cent. on the gross block for the purpose of estimating fair ex-mill price. In testing the adequacy of this rate of return, we have considered the following factors :

(i) (a) *Corporation Tax.*—Under the present law, corporation tax payable by those companies which distribute their dividends in India is at the rate of 2 annas per rupee or  $12\frac{1}{2}$  per cent. on the gross profit.

(i) (b) *Business Profits Tax.*—Under the present law on the subject, abatement is granted up to 6 per cent. of capital or Rs. 2 lakhs, whichever may be larger. It seems that the term 'capital' is used here in the sense of employed capital, being equal to the paid-up capital plus reserves excluding reserves for taxation purposes plus loans minus investments.

In the case of the majority of the cotton mills in India, capital in this sense will be larger than the gross block. Since we have provided for a return at the rate of 6 per cent only on the gross block, the whole of this return or profit would be free from the incidence of the Business Profits Tax. But in those few cases, where the gross block is larger than the capital (as taken for the purpose of Business Profits Tax) some portion of the gross profit would be subject to the Business Profits Tax. We have examined this matter with specific reference to the available financial data in respect of the 16 costed mills. A statement showing the amounts of Business Profits Tax, if any, payable by these mills is given in Appendix XI. We find that no Business Profits Tax would be payable in the case of 10 of the costed mills and that the amount of the tax payable by the remaining 6 would be Rs. 1,441, Rs. 2,363, Rs. 3,374, Rs. 6,265, Rs. 8,039 and Rs. 18,507. The average amount of B.P.T. for the 16 mills taken together would work out to only Rs. 691. The average incidence of this tax per mill comes to less than  $\frac{1}{3}$ rd of 1 per cent. of the return on fixed capital. It would thus be seen that, so far as the representative mills are concerned the incidence of the Business Profits Tax on the basis of our proposals would be practically negligible. For the purpose of our analysis, therefore, we have left this tax out of account. It may be that some mills, due to their higher efficiency or peculiar financial structure, will earn a higher rate of profit than what we have allowed and will, therefore, be liable to an appreciable amount of B.P.T. But, obviously, that cannot vitiate our general conclusion on this matter.

(ii) *Reserves*.—We think that it should normally be reasonable to allocate 20 per cent. of the profit to the reserve fund. In the case of the cotton textile industry, however, we consider that a much larger percentage must be allocated to reserves to enable the mills to buy new machinery over a period of about 12 or 15 years. It should, however, be remembered that for the purpose of buying new machinery, the reserves will be supplemented to a considerable extent by certain other funds like the depreciation fund. We consider that at least 40 per cent. of the return should be allocated to reserves even though this might lead to a reduction in the dividend paid to the shareholders to the barest minimum.

(iii) *Managing agents' commission*.—In practice, this is governed by the terms of the agreement between the mills and their managing agents. The terms vary from centre to centre and even from mill to mill in the same centre. Again, in the case of some mills, a fixed office allowance varying from mill to mill is charged by the managing agents. Thus, for instance, of the 16 costed mills, 7 show this fixed office allowance varying from Rs. 18,000 to Rs. 30,000 per annum, while the remaining 9 show no such item. In the case of these 7 costed mills which have actually incurred this expenditure, we have allowed it. But whether there is such office allowance or not, there is always a commission based on profits and in some cases on sales. Thus, for instance, in the case of the Bombay Mills the rate of commission charged, as a rule, is 10 per cent. on profits. In the case of Ahmedabad mills, however, the commission generally is  $3\frac{1}{2}$  per cent on sales. The spokesmen of the Ahmedabad textile mills have stated that unlike the Bombay mills which give a commission of 1 per cent. to guarantee brokers in respect of sales, the Ahmedabad mills do not give any such commission to brokers, and that, consequently their

charges are not higher than those of the Bombay mills. We find, however, that at the present level of prices, at any rate, this works out to a much higher figure than 10 per cent. on profit. Some of the managing agents in Coimbatore, under the terms of the recent agreements, besides charging 10 per cent. on profits, also charge 1 per cent. on all purchases of cotton and stores and  $2\frac{1}{2}$  per cent. on all capital expenditure. The reason given for these additional items of commission by the Coimbatore mill-agents is that without these items of commission, the managing agents in that area could not undertake the responsibility for raising the necessary capital and managing the business of the mills. We have considered what should be a reasonable rate of commission to the managing agents under the present circumstances. Our view is that the commission should be only a percentage on net profit, with a provision for a minimum amount when no profits are made. As to the appropriate rate of percentage on profit to be allowed to the managing agents, we think that there is a strong case for a reduction in the prevalent rate of 10 per cent. on profits. The managing agents' commission, in our opinion, should cover (a) remuneration for procuring capital, (b) insurance against financial and other risks and (c) payment for general business management. Since the cotton textile industry is well established in the country and has been quite prosperous in recent years, the managing agents' responsibility for procuring the necessary capital is now less than in the pre-war years. As regards the financial and other risks, these are also smaller today. As to management, though the managing agents exercise a general business control over production, the actual technical management in each mill is mainly the function of the mill manager. At the same time, we recognise that the managing agents will have to bear the responsibility of reconstructing the cotton textile industry in the years to come if it is to meet world competition. Taking all these factors into consideration, we think that a remuneration of  $7\frac{1}{2}$  per cent. on profit (gross return *minus* depreciation) should be adequate in the present circumstances of the cotton textile industry. But we must make it clear that this would be a fair rate of remuneration for the managing agents only in the present condition of the cotton textile industry. What the rate of remuneration should be in the case of other industries or even in the case of the cotton textile industry in different circumstances is a matter into which we are not called upon to enter.

(iv) *Dividend to shareholders.*—The rate of return on an investment should normally comprise three elements, *viz.*, (a) pure interest, (b) compensation for the risk of fluctuations in profits and (c) remuneration for management. So far as the shareholders in joint stock companies are concerned, they practically take no part in management. The return on their paid-up share capital should, therefore, consist of the two other elements. As regards pure interest, this is generally measured by the rate of interest paid on long-term Government securities which is at present about 3 per cent. per annum. As regards the risk of fluctuations, it is true that the share-holders of cotton mill companies suffered a heavy reduction in their dividends during the depression period; but during the last 6 or 7 years of exceptional prosperity, they have received good dividends. Besides, most of the mills have paid off their pre-war debts

and have built up considerable reserves. These reserves are strictly speaking, the property of the shareholders and they serve to strengthen the financial position of the mills which belong to them. In considering an appropriate dividend, we must also bear in mind that dividends have to be limited in order to allow reserve funds being built up. Moreover, it is likely that the present sellers' market will continue for another 3 to 4 years. Consequently, the risk of loss due to keen internal or external competition will be negligible. Besides, a limitation of dividend, which is an unearned income, is also in line with current ideas about distribution of the national income. It is sometimes claimed that, in fixing dividends the present high rate of taxation should also be taken into consideration. We do not agree with this view, because one of the aims of high direct taxes is to bring about a more equitable distribution of income by cutting down unearned incomes as well as the higher ranges of earned incomes. Taking all these factors into consideration, we think that a dividend of 4 to 5 per cent., subject to tax, should be adequate in the present case.

(v) *Effects of the proposals regarding the return and its allocation to different items.*—For the purpose of illustrating the effects of the proposals we have made above, we have analysed a few concrete cases as shown below :

(i) *Bombay (City) mills as at the end of 1946.*

						Rs. in lakhs
	Gross block	..	..	..	..	3737
	Paid-up capital	..	..	..	..	1511
	(a) Return at 6 % of gross block	..	..	..	..	224.00
minus	(b) Corporation tax @ 2 as. per rupee on (a)	..	..	..	..	28.00
	Balance	..	..	..	..	196.00
minus	(c) Reserves at 40% of (a)	..	..	..	..	89.60
	Balance	..	..	..	..	106.40
minus	(d) Managing agents' commission at 7½% on (a)	..	..	..	..	16.75
	Balance	..	..	..	..	89.65
minus	Divided at 5% on paid-up capital	..	..	..	..	75.55
	Balance	..	..	..	..	14.10

The Secretary of the Bombay Millowners' Association was good enough to furnish us with certain consolidated financial data for the Bombay mills as a whole. We also discussed these figures with him. It was found that the Bombay mills at the end of 1946 had aggregate reserves of over Rs. 80 crores and about Rs. 15 crores as depreciation fund, giving a total of Rs. 45 crores. In the analysis given above, we have provided for allocation to reserves at the rate of about Rs. 90 lakhs per annum which

if it is maintained will amount to over Rs. 13 crores in fifteen years. Adding the existing reserves to this fund, we get a sum of Rs. 58 crores. We have also provided 1 per cent. on the gross block for depreciation. In a period of 15 years this will amount to over Rs. 22½ crores. We understand that some of the mills in Bombay provide for depreciation by actually writing down the block from year to year while others provide for it by setting aside the amount of depreciation in a separate fund while keeping the value of the block intact. We were also informed that, in the case of the Bombay mills as a whole, roughly one-third of the total amount of depreciation is written down year by year while the remaining two-thirds accrue to the depreciation fund. On this basis, the depreciation fund of the Bombay mills will increase by about 15 crores in the next 15 years. There will thus be altogether a sum of over Rs. 70 crores available for replacement of machinery in the Bombay mills over a period of 15 years, and this is about double the value of the present block at pre-war cost. It will thus be seen that the proposals we have made regarding a return on the fixed capital and its distribution under different headings not only allow reasonable dividends to be paid to the shareholders but also make ample provision for the accumulation of reserves and depreciation fund for the purpose of purchasing new machinery in the next 15 years or so. It may be noted that, in the case of the Bombay mills, the provision for dividends and reserves taken together would amount to 11 per cent. of the paid up capital.

(ii) *Ahmedabad Mills.*

						Rs. in lakhs
	Gross block	..	..	..	..	2,091
	Paid-up capital	..	..	..	..	688
	(a) 6 % on gross block	..	..	..	..	125.46
minus	(b) Corporation tax at 2 as. per rupee or 12½% on (a)	..	..	..	..	15.68
	Balance	..	..	..	..	109.78
minus	(c) Reserves at 40% on (a)	..	..	..	..	50.18
	Balance	..	..	..	..	59.60
minus	(d) Managing Agents' commission at 7½% on (a)	..	..	..	..	9.41
	Balance	..	..	..	..	50.19
minus	Dividend at 5% on paid-up capital	..	..	..	..	34.40
	Balance	..	..	..	..	15.79

In this case, the allocation to reserves and dividends taken together work out to over 12 per cent. of the paid-up capital.

(iii) 16 ~~costed~~ mills.

	Rs. in lakhs
Gross block .. .. .	551.7
Paid-up capital .. .. .	292.45
(a) 6% on gross block .. .. .	33.11
minus (b) Corporation tax at 2 as. per rupee or 12½% on (a) .. .. .	4.14
Balance .. .. .	28.97
minus (c) Reserves at 40% on (a) .. .. .	13.24
Balance .. .. .	15.73
minus (d) Managing Agents' commission at 7½% on (a) .. .. .	2.48
Balance .. .. .	13.25
minus (e) Dividend at 4½% on paid-up capital .. .. .	13.16
Balance .. .. .	0.09

In this case the allocation to reserves and dividends taken together come to about 9 per cent. of the paid-up capital.

We have applied the same principle of allocation separately to each of the 16 costed mills. We have found that after providing for corporation tax reserves at 40 per cent. of the total return, and managing agents' commission at 7½ per cent. on the return, six mills can declare a minimum dividend of 5 per cent., two mills 4½ per cent., three mills 4¼ per cent. and five mills about 4 per cent.

The analysis given above shows the broad considerations we have had in mind in making our proposals. The scheme of allocation we have proposed for different items is given rather by way of analysis and illustration than as a rigid formula that can be applied in every case. It is open to a particular mill, for instance, to reduce the rate of dividend and increase the allocation to reserve or *vice versa*, but we believe that, on the whole, the proposals we have made are calculated to meet all the demands that can be reasonably made in the present circumstances for a share of the gross profit or return on the fixed capital.

# 11. Depreciation, interest on working capital, and return on fixed capital (gross block) at the rates mentioned in paragraphs 7 to 10 above have been worked out

Method of arriving at fair ex-mill prices of yarn and realization multipliers for cloth.

separately for each of the costed mills, the block being taken on the basis of their latest balance-sheets (1946 or 1947). The total figures for all the mills under each of these three items have been added up and divided by the total number of spindle shifts of 8 hours each in the case of yarn and the total number of loom shifts of 8 hours each in the case of cloth ; and on this basis, the average return per spindle shift of 8 hours and per loom shift of 8 hours has been separately worked out. This return comes to 4 pies per spindle shift of 8 hours and 20 annas per loom shift of 8 hours. The return at 4 pies per spindle shift has been

converted into return per lb. of yarn on the basis of production in ozs. per spindle shift of 8 hours. Similarly, the return at 20 annas per loom shift is converted into return per lb. of yarn woven on the basis of production in yards of cloths per loom shift of 8 hours. The figures of return thus obtained have been added to the cost of the raw material and manufacturing charges to arrive at fair ex-mill prices of yarn and Realization Multipliers for cloths. We have averaged out these ex-mill prices of yarn and Realization Multipliers for cloths for different mills producing the same count of yarn or same group-variety of cloths. We have thus arrived at fair ex-mill prices of yarn and fair Realization Multipliers for cloths for each of the three periods. These would be applicable to all mills in India.

12. Below is given a list of six statements showing ex-mill prices of yarn and three statements showing Realization Multipliers for cloth. —

*Statement I* : showing average costs and fair ex-mill prices of typical counts of reeled yarn for January-June 1947.

*Statement II* : showing average costs and fair ex-mill prices of typical counts of reeled yarn after 19th January 1948.

*Statement III* : showing average costs and fair ex-mill prices of typical counts of reeled yarn after 23rd April 1948.

*Statement IV* : comparative statement showing fair ex-mill prices of reeled yarn and ex-mill ceiling prices as fixed by the Textile Control Board per bundle of 10 lbs. for the period January-June 1947.

*Statement V* : comparative statement showing fair ex-mill prices of reeled yarn and ex-mill ceiling prices as fixed by the Industry per bundle of 10 lbs. after 19th January 1948.

*Statement VI* : comparative statement showing fair ex-mill prices of reeled yarn after 23rd April 1948 and ex-mill prices of reeled yarn as fixed by the Madura Mills Co., Ltd., Madura (as per their circular dated 21st April 1948. See Appendix XII).

*Statement VII* : comparative statement of Realization Multipliers (for grey cloth in annas per lb. of yarn woven : Based on 36" cloth in grey state) as estimated by the Board and as fixed by the Textile Control Board : January—June 1947.

*Statement VIII* : comparative statement of Realization Multipliers (for grey cloth in annas per lb. of yarn woven : Based on 36" cloth in grey state) as estimated by the Board and as fixed by the Industry : After 19th January 1948.

*Statement IX* : Statement of Realization Multipliers (for grey cloth in annas per lb. of yarn woven : Based on 36" cloth in grey state) as estimated by the Board, after 23rd April 1948.

*N.B.*—(It may be noted, that consequent on the removal of price stamping, the Industry has not fixed Realization Multipliers for this period).

## STATEMENT I.

Statement showing average costs and fair ex-mill prices of typical counts of reeled yarn for January/June 1947.

Count.	Type of Cotton.		3	4	5	6	7	8	9	10	11	12	13	14	15
			Average raw cotton mixing cost in Rs. per candy.	Average recovery percentage of raw cotton.	Average clean cotton cost per lb. of yarn.	Average production per spindle shift of 8 hrs.	Average total spinning cost up to spindle pr. per lb. of yarn.	Average total cost upto spindle pr. per lb. of yarn (Column 8+7).	Average reeling, bundling and baling cost per lb. of yarn.	Average total cost of reeled yarn per lb. (Column 8+9).	Less 2½% for moisture regain (On column 8).	Average net cost of reeled yarn per lb. (Column 10-11).	Average return per lb. of yarn at 4 ples per spindle shift.	Fair ex-mill price per lb. of yarn (Column 12+13).	Fair ex-mill price per bundle of 10 lbs. yarn.
6s	Indian	..	313	82	7.79	14.70	2.60	10.39	1.10	11.49	0.26	11.23	0.36	11.59	7 4 0
10s	"	..	350	82	8.71	7.74	2.75	11.46	1.26	12.72	0.24	12.43	0.69	13.12	8 3 8
14s	"	..	400	82	9.95	6.90	3.09	13.04	1.37	14.41	0.33	14.08	0.77	14.85	9 4 6
16s	"	..	400	82	9.95	6.00	3.80	13.75	1.55	15.30	0.34	14.96	0.89	15.85	9 14 6
20s	"	..	450	83	11.07	5.20	4.16	15.23	1.70	16.93	0.38	16.55	1.03	17.68	10 15 9
30s	"	..	570	84	13.85	2.80	6.22	20.07	2.20	22.27	0.60	21.77	1.80	23.67	14 12 9
40s	"	..	610	84	14.82	2.20	7.46	22.28	2.60	24.88	0.56	24.32	2.42	26.74	16 11 6
40s	African	..	876	85	21.03	2.40	7.02	28.05	2.60	30.65	0.70	29.95	2.22	32.17	20 1 9
60s	Indian Carded	..	1,170	90	26.53	1.33	10.70	37.23	4.88	42.11	0.93	41.19	4.01	45.19	22 3 9
60s	Egyptian Combed	..	1,170	79	30.23	1.45	11.11	41.34	4.88	46.22	1.03	45.19	3.63	49.87	20 8 9
80s	Egyptian Carded	..	1,170	90	26.53	0.90	14.87	41.40	6.28	47.68	1.04	46.64	5.03	53.57	22 13 9
80s	Egyptian Combed	..	1,170	79	30.23	0.95	15.32	45.55	6.28	51.83	1.14	50.69	5.61	56.30	25 2 0



# STATEMENT II.

Statement showing average cost and fair ex-mills prices of typical counts of reeled yarn after 19th January, 1948.

Count.	Type of Cotton.	3	4	5	6	7	8	9	10	11	12	13	14	15
		Average raw cotton mixing cost in Rs. per candy.	Average recovery percentage of raw cotton.	Average clean cotton cost per lb. of yarn.	Average production per spindle shift of 8 hours.	Average total spinning cost up to spindle pt. per lb. of yarn.	Average total cost upto spindle pt. per lb. of yarn (Column 8 + 7).	Average reeling, bundling and baling cost per lb. of yarn.	Average total cost of reeled yarn per lb. (Column 9 + 8).	Loss 2½% for moisture regain (On Column 8).	Average net cost of reeled yarn per lb. (Column 10-11).	Average return per lb. of yarn at 4 ples per spindle shift.	Fair ex-mill price per lb. of yarn (Column 13+13).	Fair ex-mill price per bundle of 10 lbs. of yarn.
6	Indian	400	82	9.06	14.70	2.73	12.89	1.13	13.82	0.32	13.50	0.36	13.86	8 10 8
10s	"	480	82	11.45	7.74	2.89	14.44	1.36	15.80	0.36	15.44	0.69	16.13	10 1 2
14s	"	480	83	11.45	6.00	3.37	14.82	1.71	16.53	0.37	16.16	0.77	16.93	10 9 2
16s	"	480	82	11.45	6.00	4.19	15.64	1.82	17.46	0.39	17.07	0.89	17.96	11 3 8
20s	"	530	83	13.03	5.20	4.82	17.85	1.92	19.77	0.44	19.33	1.03	20.36	12 9 8
30s	"	(30)	84	15.31	2.80	6.81	22.14	2.22	25.06	0.55	24.51	1.80	26.31	16 8 0
40s	"	680	84	19.52	2.20	8.30	24.82	3.06	27.88	0.62	27.26	2.42	29.68	18 9 0
40s	African	1,200	85	28.81	2.40	7.93	36.74	3.06	39.80	0.92	38.88	2.22	41.10	26 11 0
60s	Carded Egyptian	1,500	90	34.01	1.93	12.03	46.04	5.48	51.52	1.15	50.37	4.01	54.38	33 15 9
70s	Combed Egyptian	1,500	79	38.75	1.45	12.03	50.78	5.48	56.26	1.27	54.99	3.68	58.67	38 10 8
80s	Carded Egyptian	1,500	90	31.1	0.90	10.64	50.65	7.13	57.78	1.27	56.51	5.93	62.44	39 0 0
80s	Combed Egyptian	1,500	79	38.75	0.95	10.63	55.43	7.13	62.56	1.39	61.17	6.61	67.78	41 11 8

# STATEMENT III.

Statement showing average cost and fair ex-mills prices of reeled yarn after 23rd April 1948

Count.	Type of Cotton.	3	4	5	6	7	8	9	10	11	12	13	14	15	Re. As. Pm.
1															
6s	Indian	450	82	11-20	14-70	2-09	13-89	1-12	15-01	0-35	14-66	0-35	15-02	9 6 0	
8s	"	600	82	14-93	7-74	2-97	17-90	1-35	19-25	0-35	18-80	0-49	19-48	12 3 0	
14s	"	600	82	14-93	6-80	3-34	18-27	1-72	19-99	0-46	19-53	0-77	20-30	12 11 0	
16s	"	600	82	14-93	6-00	4-13	19-06	1-80	20-86	0-48	20-38	0-89	21-27	13 4 9	
20s	"	720	83	17-70	5-20	4-58	22-28	1-92	24-20	0-56	23-64	1-03	24-67	15 6 6	
30s	"	850	84	20-65	2-80	6-78	27-43	2-92	30-35	0-69	29-66	1-80	31-56	19 11 6	
40s	"	970	84	23-57	2-20	8-23	31-82	3-07	34-89	0-80	34-09	2-42	36-51	22 13 0	
40s	African	1,800	85	43-22	2-40	7-75	50-97	3-07	54-04	1-27	52-77	2-23	54-99	34 6 0	
60s	Carded Egyptian	2,680	90	60-32	1-33	11-94	72-26	5-48	77-74	1-81	75-93	4-01	78-94	49 15 3	
60s	Combed Egyptian	2,660	79	68-72	1-45	11-88	80-60	5-48	86-08	2-02	84-06	3-68	87-74	54 13 3	
80s	Carded Egyptian	2,660	80	60-32	0-90	16-49	76-81	7-14	83-95	1-92	82-03	5-93	87-96	54 15 6	
80s	Combed Egyptian	2,680	79	68-72	0-95	16-48	85-20	7-14	92-34	2-13	90-21	5-61	95-82	59 14 3	

Free Price.

## STATEMENT IV.

*Comparative statement showing the I.T.B.'s fair ex-mill prices of reeled yarn and ex-mill ceiling prices as fixed by the Textile Control Board per bundle of 10 lbs. January/June 1947.*

Yarn in counts	Cotton	Single Yarn		Two Fold Yarn	
		I. T. B. Fair ex-mill prices	Ex-mill ceiling prices fixed by T.C.B.	I. T. B. Fair ex-mill prices	Ex-mill ceiling prices fixed by the T.C.B.
		Rs. AS. PS.	Rs. AS. PS.	Rs. AS. PS.	Rs. AS. PS.
4	Indian ..	7 0 0	6 8 0	7 14 0	7 6 0
6	Do. ..	7 4 0	6 12 0	8 2 0	7 10 0
8	Do. ..	7 8 0	7 0 0	8 6 0	7 14 0
9	Do. ..	7 10 0	7 2 0	8 10 0	8 2 0
10	Do. ..	8 3 3	8 4 0	9 7 9	9 8 6
12	Do. ..	8 7 3	8 8 0	9 11 9	9 12 6
14	Do. ..	9 4 6	8 12 0	10 9 0	10 0 6
15	Do. ..	9 6 6	8 14 0	10 11 0	10 2 6
16	Do. ..	9 14 6	10 10 0	11 13 0	12 8 6
18	Do. ..	10 11 6	10 14 0	12 12 9	12 15 0
20	Do. ..	10 15 9	11 2 0	13 3 3	13 5 6
22	Do. ..	11 5 9	11 8 0	13 12 9	13 15 0
24	Do. ..	11 11 9	11 14 0	14 6 3	14 8 6
25	Do. ..	11 14 9	12 1 0	14 9 3	14 11 6
26	Do. ..	14 4 9	13 5 0	16 15 3	15 15 6
28	Do. ..	14 8 9	13 13 0	17 3 3	16 7 6
30	Do. ..	14 12 9	14 1 0	17 7 9	16 12 0
32	Do. ..	15 0 9	14 5 0	17 14 3	17 2 6
40	Do. ..	16 11 6	16 5 0	20 1 6	19 11 0
42	Do. ..	16 15 6	16 11 0	20 8 0	20 3 6
44	Do. ..	17 5 6	17 1 0	21 0 6	20 12 0
40	Foreign (African)	20 1 9	22 3 6	23 7 9	25 9 6
42	Do. ..	20 7 9	22 9 6	24 0 3	26 2 0
44	Do. ..	20 13 9	22 15 6	24 8 9	26 10 6
60	Carded Foreign .. (Egyptian)	28 3 9	32 8 0	33 11 9	38 0 0
60	Combed Foreign .. (Egyptian)	30 8 9	35 8 0	36 0 9	41 0 0
80	Carded Do. ..	32 13 9	44 8 0	41 11 9	53 6 0
80	Combed Do. ..	35 3 0	47 8 0	43 15 0	56 4 0

## STATEMENT V.

*Comparative statement showing the I.T.B.'s fair ex-mill prices of reeled yarn and ex-mill ceiling prices fixed by the industry per bundle of 10 lbs. after 19th January, 1948.*

Yarn in counts	Cotton	Single Yarn		Two Fold Yarn	
		I. T. B. Fair ex-mill prices after 19-1-48	Ex-mill prices fixed by industry (circular to mill mills dated 21-1-48 from Chairman, T.C.B).	I. T. B. Fair ex-mill prices after 19-1-48	Ex-mill prices fixed by industry (circular to all mills dated 21-1-48 from Chairman, T.C.B).
		1	2	3	4
		Rs. as. ps.	Rs. as. ps.	Rs. as. ps.	Rs. as. ps.
4	Indian ..	8 6 6	9 14 6	9 4 6	10 12 6
6	Do. ..	8 10 6	10 2 6	9 8 6	11 0 6
8	Do. ..	8 14 6	10 6 6	9 12 6	11 4 6
10	Do. ..	10 1 3	10 10 6	11 6 9	11 15 0
12	Do. ..	10 5 3	10 14 6	11 9 9	12 3 0
13	Do. ..	10 7 3	11 0 6	11 11 9	12 5 0
14	Do. ..	10 9 3	11 10 0	11 13 9	12 14 6
16	Do. ..	11 3 6	11 14 0	13 2 0	13 12 6
17	Do. ..	12 3 6	13 3 0	14 3 3	15 2 9
18	Do. ..	12 5 6	13 5 0	14 6 6	15 6 0
19	Do. ..	12 7 6	13 7 0	14 9 9	15 9 3
20	Do. ..	12 9 6	13 9 0	14 13 0	15 12 0
22	Do. ..	12 15 6	13 15 0	15 6 6	16 6 0
24	Do. ..	13 5 6	14 5 0	16 0 0	16 15 6
26	Do. ..	16 0 0	15 11 6	18 10 6	18 6 0
28	Do. ..	16 4 0	15 15 6	18 14 6	18 10 0
30	Do. ..	16 8 0	16 3 6	19 3 0	18 14 6
32	Do. ..	16 12 0	16 7 6	19 9 6	19 5 0
36	Do. ..	17 13 0	18 14 0	20 14 9	21 15 9
40	Do. ..	18 9 0	19 10 0	21 15 0	23 0 0
42	Do. ..	18 15 0	20 0 0	22 7 6	23 8 6
44	Do. ..	19 5 0	20 6 0	23 0 0	24 1 0
40s	Foreign (African) ..	25 11 0	26 6 6	29 1 0	29 12 6
42	Do. ..	26 1 0	26 12 6	29 9 6	30 5 0
44	Do. ..	26 7 0	27 2 6	30 2 0	30 13 6
60	Foreign (Egyptian)	33 15 9	33 7 0	39 7 9	38 15 0
carded.					
60	Do. ..	36 10 9	37 1 0	42 2 9	42 9 0
comb.					
ed.					
80	Do. ..	39 0 0	Not fixed.	47 14 0	Not fixed
card.			by industry.		by industry.
ed.					
80	Do. ..	41 11 9	43 2 0	50 7 9	51 14 6
comb.					
ed.					

### STATEMENT VI.

*Comparative statement showing the I.T.B.'s fair ex-mill prices of reeled yarn after 23rd April 1948 and ex-mill prices of reeled yarn as fixed by the Madura Mills Co., Limited, Madura. (As per their circular dated 21st April, 1948).*

Yarn in counts	Cotton	Single Yarn		Two Fold Yarn	
		I. T. B. Fair ex-mill prices after 23-4-48	Ex-mill prices of Madura Mills Co., Ltd., after 23-4-48	I. T. B. Fair ex-mill prices after 23-4-48	Ex-mill prices of Madura Mills Co., Ltd., after 23-4-48
1	2	3	4	5	6
		Rs. As. Ps.	As. As. Ps.	Rs. As. Ps.	Rs. As. Ps.
4	Indian	9 2 0	13 6 0	10 0 0	14 4 0
6	Do.	9 8 0	13 10 0	10 4 0	14 8 0
8	Do.	9 8 0	13 14 0	10 6 0	14 12 0
10	Do.	12 3 0	14 2 0	13 7 6	15 6 6
12	Do.	12 7 0	14 6 0	13 11 6	15 10 6
13	Do.	12 9 0	14 8 0	13 13 6	15 12 6
14	Do.	12 11 0	15 1 0	13 15 6	16 5 6
16	Do.	13 4 9	16 8 0	15 3 3	18 6 6
17	Do.	15 0 6	16 10 0	17 0 3	18 9 9
18	Do.	15 2 6	16 12 0	17 3 6	18 13 0
19	Do.	15 4 6	16 14 0	17 6 9	19 0 3
20	Do.	15 6 6	17 0 0	17 10 0	19 3 6
22	Do.	15 12 6	17 10 0	18 3 6	20 1 0
24	Do.	16 2 6	18 0 0	18 13 0	20 10 6
26	Do.	19 3 6	20 0 0	21 14 0	22 10 6
28	Do.	19 7 6	20 4 0	22 2 0	22 14 6
30	Do.	19 11 6	20 8 0	22 6 6	23 3 0
32	Do.	19 15 6	20 12 0	22 13 0	23 9 6
36	Do.	22 1 0	24 4 0	25 2 9	27 5 9
40	Do.	22 13 0	25 0 0	26 3 0	28 6 0
42	Do.	23 3 0	25 6 0	26 11 6	28 14 6
44	Do.	23 9 0	25 12 0	27 4 0	29 7 0
40	Foreign (African)	34 6 0	Not quoted	37 12 0	Not quoted.
42	Do.	34 12 0	Do.	38 4 6	Do.
44	Do.	35 2 0	Do.	38 13 0	Do.
60s	Foreign (Egyptian)	49 15 3	51 0 0	55 7 3	56 8 0
card- ed					
60	Do.	54 13 3	Not quoted	60 5 0	Not quoted.
comb- ed					
80	Do.	54 15 6	Do.	63 13 6	Do.
card- ed					
80	Do.	59 14 3	65 0 0	68 10 3	72 12 0
comb- ed					

# STATEMENT VII.

Comparative statement of realization multipliers (for grey cloth in annas per lb. of yarn woven : based on 36" cloth in grey state), as estimated by the Board and as fixed by the Textile Control Board, January, June, 1947.

Cloth group as per T. C. Bd. Schedule	Quality				Weight of yarn per lb. of yarn woven		Cost of clean cotton per lb. of yarn woven		Spinning charges for weight of yarn woven		Weaving charges 8 hours basis.	Return at Rs. 1/4 per lb. of yarn woven.	Board's estimate of reali- sation multiplier per lb. of yarn woven 1 (Col. 8 to 13)	Realisation multiplier fixed by Tex. Con. Board.
	Warp	Weft	Reed	Pick	Warp	Weft	Warp	Weft	Warp	Weft				
											2	3	4	5
1														
I	6	6	28	28	Lbs. 0.524	Lbs. 0.476	As. 4.082	As. 3.708	As. 1.362	As. 1.238	As. 2.836	As. 0.831	As. 14.057	As. 9.20
II	8	6	32	32	0.455	0.545	3.544	4.246	1.385	1.417	3.426	1.004	15.002	13.00
III	14	10	40	40	0.453	0.547	5.015	4.764	1.400	1.504	3.961	1.176	17.820	18.00
IV	14	14	44	44	0.524	0.476	5.801	4.736	1.619	1.471	5.633	1.370	20.630	19.20
V	20	20	52	52	0.523	0.477	5.790	5.280	2.176	1.984	6.141	1.969	23.340	24.50
VI	20	30	54	54	0.616	0.384	6.819	5.318	2.563	2.388	7.118	2.336	26.542	26.25
VII	30	30	56	56	0.590	0.480	7.706	6.648	3.234	2.986	7.615	2.971	31.160	31.50
VIII	30	40	62	62	0.592	0.408	8.773	6.047	3.682	3.044	10.303	3.344	35.193	37.60
IX	40	40	64	64	0.519	0.481	10.914	10.116	3.643	3.377	12.493	3.937	44.40	46.90
X	40	50	68	68	0.570	0.430	11.987	9.043	4.001	4.309	13.240	4.762	47.342	48.10
XI	40	60	70	70	0.615	0.385	12.933	8.096	4.317	4.119	16.667	5.141	51.273	52.20
XII	50	60	72	72	0.561	0.439	11.798	9.232	5.621	4.697	19.596	5.882	56.826	60.50
XIII	60	80	74	74	0.584	0.416	17.654	12.576	6.488	6.373	21.639	7.300	72.030	79.00

# STATEMENT VIII.

Comparative statement of realisation multipliers (for grey cloth in annas per lb. of yarn woven based on 36" cloth in Grey state) as estimated by the Board and as fixed by the industry after 19th January 1948.

Cloth group as per T.C.B. Schedule	Quality				Weight of yarn per lb. of yarn woven		Cost of clean cotton per lb. of yarn woven		Spinning charges for weight of yarn woven		Weaving charges 8 hours basis.		Return at Rs. 1/4 per loom shift per lb. of yarn woven.	Board's estimate of reali- sation multipliers per lb. of yarn woven (col. 8 to 13).	Realisation multipliers fixed by industry.	
	Warp	Wift	Reed	Pick	Warp	Weft	Warp	Weft	Warp	Weft	As.	As.				
I	2	3	4	5	Lbs.	Lbs.	As.	As.	As.	As.	As.	As.	13	14	15	
I	6	6	28	28	28	0.524	0.476	5.219	4.741	1.430	1.300	3.190	0.831	16.711	14.000	As.
II	8	6	32	32	32	0.455	0.545	4.532	5.428	1.424	1.488	3.515	1.004	17.391	13.000	
III	14	10	40	40	40	0.453	0.547	5.002	6.263	1.527	1.636	4.786	1.176	21.290	23.000	
IV	14	14	44	44	44	0.524	0.476	6.828	5.450	1.766	1.604	5.882	1.370	22.900	24.250	
V	20	20	52	52	52	0.523	0.477	6.815	6.215	2.416	2.204	6.691	1.969	26.310	29.500	
VI	20	30	54	54	54	0.616	0.384	8.026	5.879	2.846	2.623	7.710	2.336	29.420	31.000	
VII	30	30	56	56	56	0.520	0.480	8.590	7.349	3.552	3.278	8.920	2.971	34.660	35.250	
VIII	30	40	62	62	62	0.592	0.408	9.780	6.740	4.043	3.386	11.980	3.344	39.273	37.750	
IX	40	40	64	64	64	0.519	0.481	14.951	13.858	4.116	3.814	14.004	3.937	54.680	51.750	
X	40	50	68	68	68	0.570	0.430	16.422	12.388	4.520	4.700	15.749	4.762	58.541	56.000	
XI	40	60	70	70	70	0.615	0.385	17.718	11.092	4.877	4.631	18.031	5.141	61.490	60.250	
XII	50	60	72	72	72	0.561	0.439	16.162	12.647	6.132	5.281	21.256	5.882	67.360	64.500	
XIII	60	80	74	74	74	0.584	0.416	22.630	16.120	7.026	6.939	23.315	7.300	83.330	82.750	

# STATEMENT IX.

Statement of realisation multipliers (for grey cloth in annas per lb. of yarn woven based on 36" cloth in grey state)  
as estimated by the Board after 23rd April, 1948.

Cloth group as per T.C.B. Schedule	Quality				Weight of yarn per lb. of yarn woven.		Cost of clean cotton per lb. of yarn woven		Spinning charges for weight of yarn woven		Weaving charges per lb. of yarn woven.		Return at Rs. 14 per loom shuttle per lb. of yarn woven.	Board's estimate of real- isation multiplier per lb. of yarn woven (Total of Column Nos. 8 to 13).
	Warp	Weft	Reed	Pick	Warp	Weft	Warp	Weft	Warp	Weft	As.	As.		
I	2	3	4	5	6	7	8	9	10	11	12	13	14	
					lbs.	lbs.	As.	As.	As.	As.	As.	As.	As.	
I	6	6	28	28	0.524	0.476	5.869	5.331	1.410	1.280	3.147	0.831	17.868	
II	8	6	32	32	0.455	0.545	5.096	6.104	1.406	1.468	3.426	1.004	18.502	
III	14	10	40	40	0.453	0.547	8.018	8.168	1.513	1.325	4.500	1.176	25.000	
IV	14	14	44	44	0.524	0.476	9.274	7.107	1.750	1.590	5.559	1.370	26.650	
V	20	20	52	52	0.523	0.477	9.257	8.443	2.305	2.185	6.651	1.969	30.900	
VI	20	30	54	54	0.616	0.384	10.903	7.929	2.821	2.604	8.000	2.336	34.593	
VII	30	30	56	56	0.520	0.480	12.256	9.912	3.526	3.254	9.011	2.971	40.930	
VIII	30	40	62	62	0.592	0.408	13.953	9.617	4.014	3.366	12.300	3.344	46.594	
IX	40	40	64	64	0.519	0.481	22.431	20.789	4.022	3.728	14.143	3.937	69.050	
X	40	50	68	68	0.570	0.430	24.635	18.585	4.417	4.623	15.579	4.762	72.601	
XI	40	60	70	70	0.615	0.385	26.580	16.640	4.766	4.597	19.824	5.141	77.548	
XII	50	60	72	72	0.561	0.439	24.246	18.974	6.031	5.242	23.164	5.882	83.539	
XIII	60	80	74	74	0.584	0.416	40.132	28.588	6.938	6.856	24.216	7.300	114.030	



13. Under the terms of reference, we are required ' to devise a suitable method for necessary adjustments from time to time in the fair ex-mill prices of cloth and yarn, so as to allow for major fluctuations in the prices of raw cotton and other elements of cost of production '. We indicate below a method by which the different elements in the cost structure of yarn and cloth can be revised as and when necessary. To start with, we take the cost structure of yarn and cloth for April 1948 as the basis and proceed to indicate how appropriate adjustments, item by item, should be made so as to allow for major fluctuations in the main elements of cost.

(A) *Yarn*.—The following statement shows the break-up of fair ex-mill prices of reeled single yarn (key counts only), per bundle of 10 lbs., for April 1948.



## STATEMENT X.

(Period : April 1948)

Statement showing the break-up of fair ex-mill prices of reeled single yarn per bundle of 10 lbs. (key counts only).

Counts of yarn	Raw cotton cost per candy	Recovery value per cent	*Clean cotton cost	Manufacturing Charges						Fair Ex-mill prices	
				*Wages	*Power and Fuel	*Stores	*Over-head	Return	Total (Columns 5 to 9)	Reeling & bundling charges	Reeled yarn Column 4+10+11+12
I	2	3	4	As.	As.	As.	As.	As.	As.	As.	Rs. A. P.
6s Indian ..	450	82	109.20	14.86	2.83	2.99	5.52	3.60	29.80	11.20	150.20 9 6 0
10s Indian ..	600	82	145.57	16.40	3.12	3.30	6.11	6.90	35.83	13.50	194.90 12 2 0
14s Indian ..	600	82	145.57	18.44	3.51	3.71	6.87	7.70	40.23	17.20	203.00 12 11 6
16s Indian ..	600	82	145.57	22.81	4.34	4.59	8.49	8.90	49.13	18.00	212.70 13 4 9
20s Indian ..	720	83	172.58	25.30	4.82	5.09	9.41	10.30	54.92	19.20	246.70 15 6 6
30s Indian ..	850	84	201.34	37.46	7.13	7.53	13.94	19.00	85.06	29.20	315.60 19 11 6
40s Indian ..	970	84	229.81	45.58	8.68	9.16	16.97	24.20	104.59	30.70	365.10 22 13 0
40s African ..	1,800	85	421.40	42.87	8.16	8.62	15.95	22.20	97.80	30.70	549.90 34 6 0
60s Carded Egyptian ..	2,660	90	588.12	65.99	12.57	13.27	24.55	40.10	156.48	54.80	799.40 49 15 3
60s Combed Egyptian ..	2,660	79	670.02	65.65	12.50	13.20	24.43	36.80	152.58	54.80	877.40 54 13 3
80s Carded Egyptian ..	2,660	90	588.12	91.16	17.36	18.33	33.93	59.30	220.08	71.40	879.60 54 15 6
80s Combed Egyptian ..	2,660	79	670.02	91.10	17.35	18.32	33.91	56.10	216.78	71.40	958.20 59 14 3

(\*) Figures after deducting 2½% for net moisture regain from cost of yarn at spindle point.  
 N. B.—Compensatory allowance for coal would be additional 100 per cent. of the power & fuel cost.

*Statement showing the break-up of reeling, bundling and baling charges of reeled single yarn per bundle of 10 lbs. (key counts only) (vide statement X of main report) (period—April 1948).*

Counts of yarn	Wages	Power and Fuel	Stores	Overhead	Total as shown in statement X of main Report.
	As.	As.	As.	As.	As.
6s Indian .. .. .	6.83	0.24	2.17	1.96	11.20
10s Indian .. .. .	8.61	0.26	2.22	2.41	13.50
14s Indian .. .. .	11.48	0.29	2.31	3.12	17.20
16s Indian .. .. .	12.10	0.30	2.33	3.27	18.00
20s Indian .. .. .	13.02	0.31	2.36	3.51	19.20
30s Indian .. .. .	20.76	0.40	2.60	5.44	29.20
40s Indian .. .. .	21.93	0.41	2.63	5.73	30.70
40s African .. .. .	21.93	0.41	2.63	5.73	30.70
60s Carded Egyptian .. ..	40.58	0.63	3.21	10.38	54.80
60s Combed Egyptian .. ..	40.58	0.63	3.21	10.38	54.80
80s Carded Egyptian .. ..	53.43	0.78	3.61	13.58	71.40
80s Combed Egyptian .. ..	53.43	0.78	3.61	13.58	71.40

For the purpose of analysis, we will deal separately with (a) raw cotton, (b) manufacturing charges, including reeling, bundling and packing charges.

(a) *Raw cotton*.—In our estimate of fair ex-mill prices of yarn, we have allowed for 4 months' stocks of raw cotton (see paragraph 9(a)). In the statement of fair ex-mill prices of reeled yarn given above, we have taken the cost of raw cotton at its replacement price, based upon actual

transactions in the Bombay Cotton Market during the week ending 10th April 1948. We consider that the replacement cost of cotton based upon this price should be applicable to the period ending 31st July 1948. That is to say, so far as the cost of cotton is concerned, there will be no need for a revision in the cost structure up to 31st July 1948. The cost of raw cotton being by far the largest element in the cost of production, we suggest that the period of revision in the ex-mill prices of yarn should be the same as that for raw cotton, i.e., 3 months. If fair ex-mill prices for future periods are to be estimated as for instance, for the quarter August|October 1948, fair ex-mill prices of yarn should be worked out for July 1948 and the replacement cost of cotton should be taken at the average of cotton prices prevailing in the Bombay Cotton Market for the week ending 10th July 1948. In other words, in determining fair ex-mill prices for any quarter, replacement cost of raw cotton should be taken at the average of cotton prices prevailing in the Bombay Cotton Market during the first week of the month preceding that quarter. Having taken the cost of raw cotton on this basis and assuming the recovery value percentage of raw cotton at the figures given in column 3 of the Statement above, we can find out the cost of clean cotton for the quarter. It will be noted that the cost of cotton constitutes about 70 per cent. of fair ex-mill prices of reeled yarn.

(b) *Manufacturing charges*.—The manufacturing charges inclusive of reeling, bundling and packing charges constitute about 30 per cent. of the fair ex-mill prices of reeled yarn. (i) *Wages* are about 32 per cent. of the total manufacturing charges or about 9 per cent. of fair ex-mill prices. Normally, wages would not vary frequently. If, however, the average wages for the cotton textile industry as a whole change by more than 10 per cent. either way, there will be a case for revision in the figures under this item, and a revision may be made after a summary inquiry.

(ii) *Power and fuel*.—This constitutes about 7 per cent. of the total manufacturing charges. If, during any price period, the cost under this item varies by more than 50 per cent. there will be a case for revision and a revision may be made after a summary inquiry. In the case of a mill using coal for producing at least 75 per cent. of its motive power, a compensatory allowance should be given on the basis indicated in the above statement.

(iii) *Stores*.—This constitutes about 7 per cent. of the total manufacturing charges. In this case also, a revision may be made, if the cost under this item changes by more than 50 per cent.

(iv) *Overhead and (v) Return*.—These two items, which together constitute about 30 per cent. of the manufacturing charges, are the most stable elements in the cost structure. No significant variations in the figures under these items are likely to take place in the next 2 or 3 years.

(B) *Cloth*.—Revision of ex-mill prices for cloth should be made simultaneously with that of yarn. For the purpose of adjustment in fair ex-mill prices of cloth, the following statement showing the break-up of Realisation Multipliers for April 1948 should be taken as the basis.

## STATEMENT XI.

Statement showing the break-up of the fair realisation multipliers for grey cloth 36" width in annas per lb. of yarn woven (Period—April 1948).

Grey Cloth Group Nos.		Warp	Weft	Reed	Pick	Cost of Clean Cotton	Manufacturing Charges.						Fair Realisation Multipliers (Col. 6 + 13)
		2	3	4	5	6	Wages	Power & Fuel	Stores other than Sizing Stores	Sizing Stores	Over-head	Return	Total (Column 7 to 12)
1							7	8	9	10	11	12	13
						As.	As.	As.	As.	As.	As.	As.	As.
I	..	6	6	28	28	11-200	3-058	0-466	0-578	0-751	0-984	0-831	6-668
II	..	8	6	32	32	11-200	3-240	0-505	0-629	0-751	1-073	1-004	7-302
III	..	14	10	40	40	16-186	4-178	0-613	0-782	0-751	1-314	1-176	8-814
IV	..	14	14	44	44	16-381	5-026	0-718	0-933	0-665	1-557	1-370	10-269
V	..	20	20	52	52	17-700	6-521	0-943	1-215	0-520	2-032	1-969	13-200
VI	..	20	30	54	54	18-832	7-826	1-128	1-458	0-578	2-435	2-336	15-761
VII	..	30	30	56	56	22-168	9-352	1-360	1-745	0-405	2-929	2-971	18-762
VIII	..	30	40	62	62	23-570	11-798	1-665	2-185	0-405	3-927	3-344	23-024
IX	..	40	40	64	64	43-220	13-261	1-848	2-448	0-289	4-047	3-937	25-830
X	..	40	50	68	68	43-220	14-873	2-088	2-751	0-347	4-560	4-762	29-381
XI	..	40	60	70	70	43-220	17-774	2-433	3-268	0-347	5-365	5-141	34-328
XII	..	50	60	72	72	43-220	20-994	2-883	3-863	0-347	6-350	5-882	40-319
XIII	..	60	80	74	74	68-720	23-079	2-230	4-267	0-376	7-058	7-300	45-310
													114-030

N. B.—Compensatory allowance for coal would be additional 75% of Power & Fuel Cost.

(a) *Cotton*. The cost of cotton in this case may be revised on the same principles as for yarn. It should be noted, however, that in this statement, we have taken 20s cotton cost for 14s warp and 40s cotton cost for 30s warp.

(b) *Manufacturing charges*.—The different items under manufacturing charges should be revised on the same principles as indicated in the case of yarn. In the case of a mill using coal for producing at least 75 per cent. of its motive power, a compensatory allowance should be given on the basis indicated in the above statement.

14. If periodical revision of prices is decided on by Government, we  
**Machinery for revision of prices** consider that such revision should be entrusted to an independent body.

15. Although the scope of our inquiry is confined to the determination of fair ex-mill prices, we have to note that the  
**Production and prices.** price structure of yarn and cloth is closely related to the volume and structure of production. If the prices of yarn and cloth are to be kept at a reasonable level, production must be stepped up to the maximum. Standardization of production would go a long way to increase the output of yarn and cloth. We suggest, therefore, that the recommendations of the *Ad Hoc* Committee regarding standardization should be re-examined and adapted to the changed conditions of the present day. Again, to keep retail prices within reasonable limits, the distribution charges for yarn and cloth should be carefully reviewed. It would also be necessary to take adequate measures to rationalize and re-equip the cotton textile industry so as to enable it to supply the requirements of a rising standard of living of the people on the one hand, and to meet foreign competition in future, on the other. We suggest that Government should appoint an expert committee which should include representatives of the industry to inquire into and report on the following matters :—

(i) Standardization of production.

(ii) Distribution charges for yarn and cloth.

The question of rationalization, rehabilitation and re-equipment of the industry should also be investigated by a committee comprising representatives of the millowners and labour as well as technical experts and representatives of consumers.

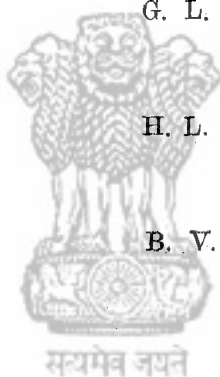
16. We have to acknowledge the help we have received from the various associations and individuals who furnished us with information and gave evidence before us. We received considerable assistance from the Textile Commissioner and his office, for which our thanks are due to them. We desire to express our warm appreciation of the services of our Honorary Technical Adviser, Rao Sahib C. J. Soneji. His distinguished record as an expert in Textile Technology and his practical experience of the cotton mill industry rendered his help and advice specially valuable to us. He spared no pains in the discharge of his difficult duties and in placing at our service his exceptional knowledge and experience. We also thank Mr. P. V. R. Rao, Mr. R. Sundaram, Mr. O. N. Anand, Mr. K. Nagaswami and Mr. K. R. Aravamuthan, Cost Accounts Officers, for the valuable assistance they have given us in connection with this inquiry.

**Acknowledgments.**

G. L. MEHTA, *President.*

H. L. DEY, *Member.*

B. V. NARAYANASWAMY, *Member.*



M. AHMADULLAH,

*Secretary.*

BOMBAY,

29th June 1948.

## APPENDIX I.

*Questionnaire based upon the original terms of reference and issued in December, 1947.*

Q. 1.—Which exactly are the categories of yarn and cloth in respect of which the present structure of prices requires re-adjustment? Please give a full description of the categories listed by you. If possible, give the percentage of the total output of yarn and cloth represented by each of the principal categories in your list during 1947 (January-December).

Q. 2.—To what extent is the present structure of prices responsible for the decline of output during the last two years? Please give concrete instances in support of your view.

Q. 3.—In what manner and to what extent are the costs of the chief categories of yarn and cloth affected by the standardization scheme? Please give illustrative factual data to show the extent of change in different items of costs, such as, (1) cotton, (2) wages, (3) overheads, (4) interest on working capital, etc.

Q. 4.—Will a proper re-adjustment of prices, enable the industry as a whole to step up over-all production by approximately 10 per cent. as visualised in the standardization scheme? If not, please give an estimate of the probable increase of output that might be expected with a proper re-adjustment of prices.

Q. 5.—Once fair ex-mill prices are fixed, what factors (such as cotton, wages, etc.) should be taken into account for automatic revision of such prices from time to time. Please indicate the schedule or formula of differentials which should be applied in calculating the extent of price adjustment necessitated by fluctuations in each of these factors.

Q. 6.—(a) If, in your view, relief has to be given to certain units or sections of the mill industry, should this relief be given through a direct increase of prices or by a subsidy?

(b) In case you prefer that the necessary relief should be given to certain units or sections of the industry through a direct increase of prices, could you devise a structure of prices which, while giving the necessary relief to the weaker mills, will at the same time not result in excessive profits for the more efficient mills producing the same categories of yarn and cloth?

(c) In case you prefer a scheme of subsidy for the weaker mills, will you please (i) indicate the basis and rate of the subsidy, (ii) give an estimate of the amount required for the purpose and (iii) suggest ways and means of finding the necessary funds for the same?

(d) If any special circumstances apply to certain mills engaged in the production of yarn alone, please state the circumstances affecting those mills and indicate how their difficulties may be removed, whether by price adjustment or by any other method.

LS15TBF



Q. 7.—Apart from price adjustments and capital labour relationship, are there any other important factors, such as shortage of cotton, coal and mill-stores or transport difficulties, which are responsible for the recent decline in production? Please indicate practicable measures by which these factors can be improved.

Q. 8.—In view of the necessity of checking the tendency of the price level and cost of living to rise, (a) what minimum rate of profit on fixed capital should be allowed as part of fair ex-mill price of cotton goods? (b) should this rate of profit be reduced to per spindle and per loom profit? (c) if so, on what basis? Please give full facts and reasons.

Q. 9.—Besides the fixed monthly office allowance, what further amount of managing agency commission should be allowed for services rendered by the Managing Agents in respect of PRODUCTION and which should form part of fair ex-mill price of cotton goods.

Q. 10.—(a) On what basis should the working capital of a mill be calculated? Should it be equal to 3 months' or 4 months' or 6 months' cost of production? Please state the reasons.

(b) In view of the present condition of the money market, what minimum rate of interest should be allowed on working capital? Please state your reasons.

(c) If working capital is borrowed partly or wholly, at what rate or rates is it now borrowed by the majority of the mills in your area?

Q. 11.—(a) By what method do the majority of the mills provide for depreciation? Do they do it by creating a depreciation reserve fund or by writing down the assets year by year?

(b) At what rate is the depreciation provided for by the majority of the mills? Is it at income-tax rate or at a rate higher or lower than the income-tax rate? If it is different from the income-tax rate, please specify the rate or rates at which depreciation is provided for by the mills. Also please give reasons for the adoption of a rate different from the income-tax rate.

Q. 12.—If there are any other special factors which have a bearing on the determination of fair ex-mill prices of cotton yarn and cloth, or any class of yarn or cloth, please indicate them and explain their incidence on the fair ex-mill prices.

## APPENDIX II

*Questionnaire based upon the revised terms of reference and issued in March, 1948.*

Q. 1.—The industry has recently fixed ex-mill prices of various types of yarn and cloth. Do you consider these prices fair and reasonable, taking into account current prices of cotton and present levels of wages in different centres of the industry? If not, please give your reasons.

Q. 2.—Do you consider that the prices fixed by the industry will enable the mills, whether purely spinning or composite, to reach the production targets fixed by their respective Panel Members? If not, please give your reasons.

Q. 3.—Once fair ex-mill prices are fixed, what factors (such as cotton wages, etc.) should be taken into account for automatic revision of such prices from time to time? Please indicate the schedule of differentials which should be applied in calculating the extent of price adjustment necessitated by fluctuations in each of these factors. Also, please indicate a reasonable interval of time for which prices should remain unaltered.

Q. 4.—(a) Please describe in detail the basis adopted by the mills in your area for arriving at their cost of raw cotton.

(b) Do you consider that basis economical for the mills? If so, please give reasons. If not, please suggest a better basis.

Please state facts and figures:

Q. 5.—On what basis should the office allowance of managing agents be fixed? What further remuneration to managing agents should be allowed for services rendered by them in respect of factory production?

Q. 6.—(a) By what method do the mills in your area provide for depreciation? Do they provide it by creating a depreciation reserve fund or by writing down the assets year by year?

(b) At what rate is the depreciation provided for by the mills in your area? Is it provided at the rate allowed by the income-tax rates or at a rate higher or lower than that? If it is different from the income-tax rate, please specify the rate or rates at which depreciation is provided for. Please give reasons.

Q. 7.—(a) On what basis should the working capital of a mill be calculated? Should it be equal to 3 months' or 4 months' or 6 months' cost of production? Please give reasons.

(b) In view of the present condition of the money market, what minimum rate of interest should be allowed on working capital? Please give reasons.

(c) If working capital is borrowed partly or wholly, at what rate of interest is it now borrowed by the mills in your area?

Q. 8.—(a) What minimum rate of profit on fixed capital should be allowed as part of fair ex-mill price?

(b) Should this rate be reduced to profit per spindle shift and profit per loom shift?

(c) If so, on what basis? Please give reasons.

Q. 9.—If there are any other special factors which have a bearing on the determination of fair ex-mill prices of yarn and cloth, please indicate them and explain their incidence on the fair ex-mill prices.

Q. 10.—Apart from price adjustments and capital-labour relationship, are there any other important factors which have been responsible for the decline in production in 1946 and 1947? Please indicate measures by which production can be increased.

Q. 11.—What measures should be adopted by the industry and/or by Government to keep the prices of yarn and cloth at reasonable levels?

## APPENDIX III

*List of firms or persons, who submitted replies to the Board's questionnaire or sent memoranda.*

## I. THOSE WHO SUBMITTED REPLIES TO THE QUESTIONNAIRE:

## (a) Millowners' Associations.

1. Ahmedabad Millowners' Association, Post Box No. 7, AHMEDABAD.
2. Bengal Millowners' Association, 2 Church Lane, CALCUTTA.
3. Federation of Baroda State Mills & Industries, BARODA.
4. Indore Millowners' Association, INDORE (C.I.).
5. Millowners' Association, Elphinstone Building, Churchgate Street, P.B. No. 95, BOMBAY.
6. Southern India Millowners' Association, Race Course, COIMBATORE.
7. Upper India Chamber of Commerce, KANPUR.

## (b) Chambers of Commerce and other Associations.

1. All India Textile Workers' Federation, Dalvi Building, Parel, BOMBAY 12.
2. Bombay Country Fancy and Grey Piecegoods Merchants' Association, Mulji Jetha Market Hall, Shaikh Memon Street, BOMBAY 2.
3. Bombay Province Hand Loom Weavers' Association, 104, Ganj Peth, POONA 2.
4. Bombay Shareholders' Association, Agakhan Building, Dalal Street, Fort, BOMBAY.
5. East India Cotton Association Limited, The Cotton Exchange, Marwari Bazaar, BOMBAY 2.
6. Federation of Bombay Retail Cloth Dealers' Association, 13, Bhangwadi, Kalbadevi Road, BOMBAY 2.
7. Indian Chamber of Commerce, 102 A, Netaji Subhas Road, CALCUTTA.
8. Maskati Cloth Market Association, Maskati Cloth Market, Railwaypura Post No. 2, AHMEDABAD.
9. Marwari Chamber of Commerce, Imperial Bank Building, Burra Bazar Branch, CALCUTTA.
10. Surat Weaving Association, Linda Chowk, Lokhandwala Building, SURAT.

## (c) Others.

1. Delhi Cloth & General Mills Company Limited, Post Box No. 39, DELHI.
2. Director of Industries, East Punjab, KALKA.
3. Gaya Cotton and Jute Mills Limited, GAYA.
4. Kanga, M. P., Mr., Director of Industries, BOMBAY.
5. Keshawlal Himatlal, KALOL.
6. Motilal Agarwal Mills Limited, GWALIOR.
7. Madura Mills Company Limited, P.O. Box N. 35, MADURA.

8. Marathe Textile Mills, MIRAJ.
9. Nandlal Laxminarayan, AMALNER (E. K.).
10. Parola Taluka Handloom Weavers' Association, Parola (East Khandesh).
11. Savataram Ramprasad Mills Co., Ltd., Spinning and Weaving Mills, AKOLA.
12. Sur, I. B., Mr., 5, Amrita Banerjee Road, Kalighat, CALCUTTA 26.
13. Shree Hanuman Cotton Mills Co., Fuleshwar, P. O. Uluberia, Jagunnathpur, WEST BENGAL.
14. Sri Krishnarajendra Mills Ltd., Sri Krishnarajendra Mills P. O., MYSORE.
15. Tarke, N. D., Mr., North Kusba No. 908, SHOLAPUR.

## II. THOSE WHO SUBMITTED WRITTEN MEMORANDA :

### (a) Chambers of Commerce and other associations.

1. Adoni Handloom Cloth Weavers' Association, ADONI.
2. Andhra Chamber of Commerce, MADRAS 1.
3. Bengal Textile Dealers' Association, 30, Cotton Street, CALCUTTA.
4. Cloth Commission Agents' Union, Kueha Khanchand, DELHI.
5. Hand-Dyers, Hand-Printers, Hand-Bleached Goods Dealers' Association, 31, Cotton Street, CALCUTTA.
6. Marwari Chamber of Commerce, Imperial Bank Building, (Burra Bazaar Branch), Calcutta.
7. Marwari Sammelan, 152-B, Harrison Road, Calcutta.
8. Piecegoods Merchants' Association, Farrukhabad.
9. U. P. Cloth Retailers Chamber, H.O. 75/89 Ranjit Purwa, Kanpur.

### (b) Others.

1. Buckingham and Carnatic Mills, Ltd., Madras.
2. Bhonsule, G. A., Mr., Tikkar Road, Dhantoli, Nagpur.
3. Cosmic Commercial Co., Kotavijay Laxmi Buildings, 712-13, Chickpet, Bangalore City.
4. Himatlal Jagjiwan, Mr., Agakhan Building, Dalal Street, Fort, Bombay.
5. Jayantilal R. Anklesaria, Mr., 84/2, Patwari Society, Mani Nagar, AHMEDABAD 8.
6. Kshirsagar, T. V., Mr., 45, Sonwarpet, SHOLAPUR.
7. Mangaldas Ramji, Mr., C/o Amulakh Amichand Co., 32-36, Marwari Bazaar, BOMBAY 2.
8. Morabad Spg. and Wvg. Mills Co., Ltd., MORABAD.
9. New India Fabrics, (Handloom Products), Mission Quarters, TRICHUR (Cochin State).
10. National Cotton Products, Ltd., 35, Haines Road, WORLI.
11. Pathy, G. R. V., Mr., Padma Nilayam, 19, Avenue Road, BANGALORE CITY.
12. Shirodkar, V. R., Mr., Jan Mansion, Sir P. Shah Mehta Road, Fort, BOMBAY.
13. Shree Hanuman Cotton Mills Co., Fuleshwar, P. O. Uluberia, JAGUNNATHPUR, (West Bengal).
14. Shree Sayaji Mills Co., Ltd., P. Box No. 37, BARODA.
15. Vasant Vijay Mills, 470-71, Worli Road, BOMBAY 18.
16. Vadilal Lalubhai, Mr., Maheswari Mansion, Napean Sea Road, BOMBAY.

## APPENDIX IV.

*Details regarding visits to Cotton Mills by the President, Members and Secretary of the Board.*

Name of the mills.	Personnel of the Board who visited the mills.	Date of visit.
1. Western India Mills, Chinchpochi, Bombay ..	President, Dr. Dey, Dr. Naidu and Secretary.	28-11-47
2. The Bhojini Mills Ltd., Calcutta ..	President ..	6-12-47
3. Vasant Vijay Mills, Worli, Bombay .. (Purely a processing mill.)	President: Dr. Naidu and Secretary.	21-1-48
4. Basingham & Carvatic Mills Ltd., Madras ..	Dr. Naidu ..	3-2-48
5. Century Sp. & Mfg. Co. Ltd., Bombay ..	President, Dr. Dey, Dr. Naidu and Secretary.	27-2-48

## APPENDIX V.

*List of associations and persons who were invited to give evidence before the Board.*

## I.—MILLOWNERS' ASSOCIATION:

1. Ahmedabad Millowners' Association, AHMEDABAD.
2. Bengal Millowners' Association, CALCUTTA.
3. C. P. Millowners' Association, NAGPUR.
4. Federation of Baroda State Mills & Industries, BARODA.
5. Indore Millowners' Association, INDORE.
6. Millowners' Association, BOMBAY.
7. Southern India Millowners' Association, COIMBATORE.
8. Upper India Chamber of Commerce, KANPUR.

## II.—TRADE UNIONS:

1. All India Trade Union Congress, BOMBAY.
2. All India Textile Workers' Federation, BOMBAY.
3. Indian National Trade Union Congress, BOMBAY.
4. Textile Labour Association, AHMEDABAD.

## III.—SHARE-HOLDERS' ASSOCIATION:

1. Bombay Share Holders' Association, BOMBAY.

## IV.—MERCHANTS' ASSOCIATION:

1. All India Federation of Cloth & Yarn Dealers' Association, BOMBAY.
2. Bombay Country Fancy & Grey Piece-goods Merchants' Association, BOMBAY.
3. Bombay Piecegoods Native Merchants' Association, BOMBAY.
4. Federation of Bombay Retail Cloth Dealers' Association, BOMBAY.
5. Maskati Cloth Markets Association, AHMEDABAD.

## V.—CONSUMERS:

1. Mr. M. Ananthasayanam Ayyangar, M.L.A. (Central), CHITTOOR (Distt.).
2. Mr. Babubhai J. Patel, M.L.A. (Bombay), NADIAD.
3. B. Das, Esq., M.L.A. (Central), Orissa: CUTTACK.
4. Director of Industries, Bihar, PATNA.
5. Director of Industries, MADRAS.
6. S. Nijalingappa, Esq., President Karnatak Provincial Congress Committee, HUBLI.
7. Prof. N. G. Ranga, President, Andhra Provincial Congress Committee, BEZWADA.

## VI.—RAW COTTON SUPPLIERS:

1. East India Cotton Association, BOMBAY.

## OFFICIAL.

The Textile Commissioner to the Govt. of India, or his representative.

## APPENDIX VI.

*List of associations and persons who attended the inquiry and were examined by the Board.*

4th May 1948—11 A.M.

*Names of the representatives.*

## I.—MILLOWNERS' ASSOCIATION:

- |   |                                     |
|---|-------------------------------------|
| 1. Ahmedabad Millowners' Association, AHMEDABAD.          | 1. Mr. Ramanlal Lalubhai.           |
|   | 2. Mr. Kasturbhai Lalubhai.         |
|   | 3. Mr. Ratilal Nathalal.            |
|   | 4. Mr. Amratlal Hargovandas.        |
|   | 5. Mr. Madanmohan Mangaldas.        |
|   | 6. Dr. Patel, Secretary.            |
| 2. Bengal Millowners' Association, CALCUTTA.              | Mr. M. L. Shah.                     |
| 3. C. P. Millowners' Association, NAGPUR.                 | Mr. K. F. Madan.                    |
| 4. Federation of Baroda State Mills & Industries, BARODA. | Mr. Chaturbhujdas Chimanlal.        |
| 5. Millowners' Association, BOMBAY.                       | 1. Mr. Neville N. Wadia.            |
|   | 2. Mr. Krishnaraj M. D. Thackersey. |
|   | 3. Mr. N. S. V. Aivar, Secretary.   |
| 6. Southern India Millowners' Association, COIMBATORE.    | Mr. G. K. Sundaram.                 |
| 7. Upper India Chamber of Commerce, KANPUR.               | 1. Mr. Mangtaram Jaipuria.          |
|   | 2. Mr. E. Royston.                  |

Also present:

Mr. T. P. Barat, M.B.E., Textile Commissioner, Govt. of India.

5th May 1948—11 A.M.

## II.—TRADE UNIONS:

- |   |                         |
|---|-------------------------|
| 1. All India Trade Union Congress, BOMBAY.        | } 1. Mr. U. S. Mokashi. |
| 2. All India Textile Workers' Federation, BOMBAY. |                         |

*Names of the representatives.***5th May 1948—11 A.M.**

3. Indian National Trade Union Congress, BOMBAY.
  4. Textile Labour Association, AHMEDABAD.
- Also present:

1. Mr. S. R. Vasavada.
2. Mr. G. D. Ambekar.
- Mr. N. H. Shaikh.

Mr. M. R. Kazimi, Director of Cloth, Office of the Textile Commissioner, Govt. of India.

**5th May 1948—3 P.M.****III.—SHARE-HOLDERS' ASSOCIATION:**

1. Bombay Share Holders' Association, BOMBAY.

Mr. J. J. Kapadia.

**6th May 1948—3 P.M.****IV.—MERCHANTS' ASSOCIATION :**

1. All India Federation of Cloth & Yarn Dealers' Association BOMBAY.
2. Bombay Country Fancy & Grey Piecegoods Merchants' Association, BOMBAY.
3. Bombay Piecegoods Native Merchants' Association, BOMBAY.
4. Federation of Bombay Retail Cloth Dealers' Association BOMBAY.
5. Maskati Cloth Markets Association, AHMEDABAD.

Mr. Gordhandas G. Morarji.

1. Mr. Raghavji Vallabhdas Kapadia.
2. Mr. Gordhandas Vandnavan.

1. Mr. Navnitlal Lallubhai Shah.
2. Mr. Ilmatlal Muni.
3. Mr. N. C. Munsiff.

1. Mr. Hamid Khan Kazi.
2. Mr. K. M. Shanbag.

1. Mr. Trikamlal Mahasukhram.
2. Mr. Ramanlal Fakirchand Mashruwala.
3. Mr. A. S. Thakore.
4. Mr. Chandulal B. Satia (M.L.C., Bombay).

Mr. M. R. Kazimi, Director of Cloth, Office of the Textile Commissioner, Govt. of India.

Also present:

**7th May 1948—11 A.M.****V.—CONSUMERS:**

1. Mr. Babubhai Patel, M.L.A., NADIAD.

**12th May 1948—3 P.M.**

2. Mr. M. Ananthasayanam Ayyangar (M.L.A. Central), CHITTOOR.

Also present:

Mr. M. R. Kazimi, Director of Cloth, Office of the Textile Commissioner, Govt. of India (on 7th May 1948 only).

**7th May 1948—4.15 P.M.****VI.—RAW COTTON SUPPLIERS:**

1. East India Cotton Association, BOMBAY.

1. Sir Purshotamdas Thakurdas, K.B.E., C.I.E.
2. Mr. Madanmohan Ruia.
3. Mr. C. M. Parekh.

## APPENDIX VII (A).

*Classification of composite Mills into groups according to the number of looms and spindles.*

## Looms.

Zone	Below 250	250 to 500	500 to 1,000	1,000 to 2,000	2,000 to 2,500	Above 2,500	Total
<b>BOMBAY ZONE</b>							
<b>AHMEDABAD AREA</b>							
<b>Spindles --</b>							
Below 10,000 .. ..	..	..	..	..	..	..	..
10,000 to 20,000 .. ..	..	11	4	..	..	..	15
20,000 to 40,000 .. ..	..	7	33	1	..	..	41
40,000 to 80,000 .. ..	..	..	1	3	..	..	4
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
Above 1,00,000 .. ..	..	..	..	..	1	..	1
<b>BOMBAY CITY</b>							
<b>Spirals --</b>							
Below 10,000 .. ..	..	..	..	..	..	..	..
10,000 to 20,000 .. ..	..	3	..	..	..	..	3
20,000 to 40,000 .. ..	..	1	12	4	1	..	18
40,000 to 80,000 .. ..	..	1	9	20	1	..	31
80,000 to 1,00,000 .. ..	..	..	..	1	1	1	3
Above 1,00,000 .. ..	..	..	..	..	..	1	1
<b>REST OF THE ZONE</b>							
<b>Spindles --</b>							
Below 10,000 .. ..	2	1	..	..	..	..	3
10,000 to 20,000 .. ..	1	11	1	..	..	..	13
20,000 to 40,000 .. ..	..	3	11	1	..	..	15
40,000 to 80,000 .. ..	..	..	1	4	..	..	5
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
Above 1,00,000 .. ..	..	..	..	..	..	..	..



## Looms - contd.

Zone	Below 250	250 to 500	500 to 1,000	1,000 to 2,000	2,000 to 2,500	Above 2,500	Total
<b>BIHAR ZONE</b>							
Spindles—							
Below 10,000 .. ..	8	..	..	..	..	..	8
10,000 to 20,000 .. ..	..	3	2	..	..	..	5
20,000 to 40,000 .. ..	..	1	4	..	..	..	5
40,000 to 80,000 .. ..	..	..	2	1	..	..	3
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
1,00,000 & above .. ..	..	..	..	..	..	..	..
<b>PUNJAB ZONE</b>							
Spindles—							
Below 10,000 .. ..	3	1	..	..	..	..	4
10,000 to 20,000 .. ..	1	1	..	..	..	..	2
20,000 to 40,000 .. ..	..	2	..	..	..	..	2
40,000 to 80,000 .. ..	..	..	..	1	..	..	1
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
1,00,000 & above .. ..	..	..	..	..	..	..	..
<b>RAJPUTANA ZONE</b>							
Spindles—							
Below 10,000 .. ..	2	..	..	..	..	..	2
10,000 to 20,000 .. ..	..	3	1	..	..	..	4
20,000 to 40,000 .. ..	..	2	..	..	..	..	2
40,000 to 80,000 .. ..	..	..	..	..	..	..	..
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
1,00,000 & above .. ..	..	..	..	..	..	..	..
<b>WESTERN INDIA STATES ZONE</b>							
Spindles—							
Below 10,000 .. ..	..	..	..	..	..	..	..
10,000 to 20,000 .. ..	1	5	..	..	..	..	6
20,000 to 40,000 .. ..	..	..	2	..	..	..	2
40,000 to 80,000 .. ..	..	..	..	..	..	..	..
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
1,00,000 & above .. ..	..	..	..	..	..	..	..

Looms—*conold.*

Zone.	Below 250	250 to 500	500 to 1,000	1,000 to 2,000	2,000 to 2,500	Above 2,500	Total
<b>CENTRAL INDIA STATES ZONE</b>							
<b>Spindles—</b>							
Below 10,000 .. ..	1	..	..	..	..	..	1
10,000 to 20,000 .. ..	5	1	..	..	..	..	6
20,000 to 40,000 .. ..	..	3	2	..	..	..	5
40,000 to 80,000 .. ..	..	..	..	..	..	..	..
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
1,00,000 & above .. ..	..	..	..	..	..	..	..
<b>SOUTH ZONE</b>							
<b>Spindles—</b>							
Below 10,000 .. ..	1	..	..	..	..	..	1
10,000 to 20,000 .. ..	1	..	..	..	..	..	4
20,000 to 40,000 .. ..	5	3	2	1	..	..	11
40,000 to 80,000 .. ..	..	2	1	1	..	..	4
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
1,00,000 & above .. ..	..	..	..	..	..	1	1
<b>HYDERABAD ZONE</b>							
<b>Spindles—</b>							
Below 10,000 .. ..	..	..	..	..	..	..	..
10,000 to 20,000 .. ..	1	..	..	..	..	..	4
20,000 to 40,000 .. ..	..	..	2	..	..	..	2
40,000 to 80,000 .. ..	..	..	..	..	..	..	..
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
1,00,000 & above .. ..	..	..	..	..	..	..	..
<b>C. P. ZONE</b>							
<b>Spindles—</b>							
Below 10,000 .. ..	..	..	..	..	..	..	..
10,000 to 20,000 .. ..	1	..	..	..	..	..	1
20,000 to 40,000 .. ..	1	3	2	..	..	..	6
40,000 to 80,000 .. ..	..	..	1	..	..	..	1
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
1,00,000 & above .. ..	..	..	..	1	..	..	1

## Looms—contd.

Zone	Below 250	250 to 500	500 to 1,000	1,000 to 2,000	2,000 to 2,500	Above 2,500	Total
<b>U. P. ZONE</b>							
Spindles—							
Below 10,000 .. ..	..	..	..	..	..	..	..
10,000 to 20,000 .. ..	1	2	..	..	..	..	3
20,000 to 40,000 .. ..	1	..	3	1	..	..	5
40,000 to 80,000 .. ..	1	..	..	2	..	..	3
80,000 to 1,00,000 .. ..	..	..	..	..	..	..	..
1,00,000 & above .. ..	..	..	..	1	..	..	1

## APPENDIX VII (B).

*Classification of spinning mills into groups according to the number of spindles.*

Zone	Below 10,000	10,000 to 20,000	20,000 to 40,000	40,000 to 80,000	1,00,000 and above
<b>I Bombay Zone—</b>					
(a) Ahmedabad area : ..	..	..	2	..	..
(b) Bombay city : ..	..	1	2	..	..
(c) Rest of Bombay Zone : ..	2	4	..	1	..
<b>II Western India States ..</b>	..	1	..	..	..
<b>III Central India States ..</b>	1	1	..	..	..
<b>IV Rajputana Zone .. ..</b>	1	..	..	..	..
<b>V Punjab Zone .. ..</b>	2	..	..	..	..
<b>VI U.P. Zone .. ..</b>	2	3	..	1	..
<b>VII Bengal Bihar Zone ..</b>	2	1	2	..	..
<b>VIII South Zone .. ..</b>	23	12	9	2	1

## APPENDIX VIII.

## CEILING PRICES FOR CLOTH.

## Schedule of Realisation Multipliers for all Cloth.

Counts					Realisa- tion Multi- plier in Annas per lb. of yarn	Count varia- tion	Cotton Adjustment	
Group	Warp	Weft	Reed	Picks				
1	2	3	4	5	6	7	8	
Indian Cotton						Up or down in annas per count.		
I	6	6	28	28	9.20	-20	No allowance for imported cotton is allowed even if it is used in any cloth linked to these Groups. The following are, however, the excep- tions :— A. For (i) very specialised qualities, and (ii) qualities intended for export only to be distinctly specified in the price notification by sepa- rate export trade marks and/or numbers, the Chair- man has the absolute dis- cretion, in consultation with Mr. T. V. Baddeley and Mr. J. C. Lancashire, to allow the actual difference between any imported cotton and Indian cotton of appropriate mixing for the counts of yarn spun. B. For cloth with warp count 30s and over and reed 56 and over an allow- ance of 4 annas per lb. of yarn for actual imported cotton used will be given. (a) if combed yarn is used increase multiplier by 4.0; (b) if Indian cotton is used reduce multiplier by 6.00. (c) In cases of qualities manu- factured from warp yarn of counts 42s and over spun from Giza 7 or equivalent Egyptian*. if uncombed yarn is used re- duce the multiplier by 4.00.	
II	8	6	32	32	13.00			
III	14	10	40	40	18.00			
IV	14	14	44	44	19.20			
V	20	20	52	52	24.50	-30		if uncombed yarn is used re- duce the multiplier by 4.00.
VI	20	30	54	54	26.25			
VII	30	30	56	56	31.50			
VIII	30	40	62	62	37.60			
Imported cotton and carded								
IX	40	40	66	66	46.90	-40	if uncombed yarn is used re- duce the multiplier by 4.00.	
X	40	50	68	68	48.10			
XI	40	60	70	70	52.20			
XII	50	60	72	72	60.50			
XIII	60	80	74	74	79.00	-40		if uncombed yarn is used re- duce the multiplier by 4.00.
XIV	70	90	78	78	88.00			
XV	80	100	82	82	97.40			
XVI	100	120	90	90	141.02			

\* Types excluding Sudans and Uppers, and linked to Groups IX to XII inclusive, an additional 6 as. per lb. will be allowed for the quantity of such cottons actually used in the mixing, if the mill proves to the satisfaction of the Panel Member and the Chairman that such cotton have been used in the mixing.

**METHOD OF LINKING:**

1. All varieties of cloth manufactured by mills should be linked with one or the other of the Groups mentioned in the above Schedule.

2. The linking shall be done according as the total of the counts of warp and weft in the cloth is nearer approximation to the total of the counts of warp and weft yarn specified in columns 2 and 3 against any of the groups in the Schedule with the exception that all cloths with warp above 34s count and made from imported cotton shall be linked to Group IX.

3. The basic adjustment between counts for cloth in each combination of counts shall be arrived at for the composite counts and is to be applied to the total weight of yarn in warp and weft including 5 per cent. allowance for wastage and coarseness of counts. In other words, yarn weight in both warp and weft of a cloth should be worked out on the actual counts of yarn used in the cloth and the 5 per cent. allowance for wastage should be added.

4. The following changes in the realisation multiplier for variation in counts of warp and weft, reed and picks and type of cotton, etc., are to be made:—

A.—COUNT VARIATION: See column 7 in the above Schedule.

B.—TYPE OF COTTON: See column 8 in the above Schedule.

C.—(i) VARIATION IN REEDS : For every upward variation of 4 reeds the multiplier specified in column 6 in the above Schedule of multipliers after adjustment of count variation if any shall be increased by  $1\frac{1}{2}$  per cent.

(ii) VARIATION IN PICKS : For every upward or downward variation of 4 picks, the multiplier specified in column 6 in the above Schedule of multipliers after adjustment of Count variation if any shall be increased or decreased by 1 per cent.

**D.—TWISTED YARN QUALITIES:**

(a) Dosuti : For such qualities which are both double drawn in the warp and double wound in the weft, the appropriate multiplier after adjusting the count, reed and pick allowances shall be decreased by 10 per cent. with a minimum of 3 annas.

(b) Dosuti : For all such qualities with double drawn in the warp, or two ply weft the appropriate multiplier after adjusting the count, reed and pick allowance shall be decreased by 5 per cent with a minimum of  $1\frac{1}{2}$  as.

(c) Twisted Yarn Qualities : For all qualities manufactured out of double or more twisted yarn, the appropriate multiplier after adjusting the count, reed and pick allowances shall be decreased by 5 per cent. (with a minimum of  $1\frac{1}{2}$  annas) in case both the warp and weft yarn are twisted and by  $2\frac{1}{4}$  per cent. (with a minimum of  $3\frac{1}{4}$  annas) in case either warp or weft yarn is twisted.

E.—WIDTH ALLOWANCE : The above Schedule applies fairly uniformly for all grey qualities of 30 in. and over and for all bleached, dyed and finished qualities of width 28 in. and over. For widths lower than 30 in. grey or 28 in. bleached, dyed or finished, the multipliers given in the above Schedule shall be increased by 1.00 except in the case of Dhories and Sarees for which increase shall be 2.00 (splits excluded in all cases).

## SCHEDULE OF BLEACHING, DYEING, FINISHING AND OTHER CHARGES.

(Total weight of yarn means actual yarn weight plus 5 per cent. for wastage and coarseness of count).

### 1. Bleaching & Finishing charge—

Groups 1 to 6	..	3½ as. per lb. of total weight of yarn.
Groups 7 and above	..	4 as. per lb. of total weight of yarn.
2. Backfilling charges	..	½ as. per lb. of total weight of yarn.
3. Finishing charges for cloths 60s warp and over.	..	½ as. per lb. of total weight of yarn.
4. Scouring charge	..	1½ as. per lb. of total weight of yarn.

### 5A. Yarn dyeing charges for Fast to Bleach shades (Vat colours)—

#### (a) Border yarn for Sarees & Dhooties only:

(i) Very dark colours	32 as. per lb. of dyed yarn used in border only.
(ii) Dark, Medium & Light colours.	16 as. per lb. of dyed yarn used in border only.

#### (b) Dyed yarn used in Sarees and shirtings only.

13½ as. per lb. of dyed yarn used for all shades.

(Note.— This dyeing charge will only be given in cases of qualities of cloth specified linked to Group VIII and above in which the reed used is 60s and over. Otherwise, the appropriate charge according to the shades of dyed yarn used will only be given).

#### (c) Fast dyed yarn used in qualities other than those mentioned in (a) and (b)—

(i) Dark shades	..	15 as. per lb.
(ii) Medium shades	..	10 as. per lb.
(iii) Light shades	..	6 as. per lb.

### B. Yarn dyeing charges for Sulphur colours—

(i) Dark shades	..	6 as. per lb.
(ii) Medium & Light shades	..	3 as. per lb.

### 6A. Piece dyeing charges for fast to bleach shades (Vat colours)—

(a) Dark shades	..	15 as. per lb. of yarn.
(b) Medium shades	..	10 as. per lb. of yarn.
(c) Light shades	..	6 as. per lb. of yarn.

### B. Piece dyeing charges for Sulphur colours—

(a) Dark shades	..	6 as. per lb. of yarn.
(b) Medium & Light shades	..	3 as. per lb. of yarn (applicable only to export qualities).

### C. Piece dyeing charges for Naphthol colours—

(i) 1 per cent. shades	..	2½ as. per lb. of yarn.
(ii) 2 per cent. shades	..	5 as. per lb. of yarn.
(iii) 3 per cent. and more shades.	..	7½ as. per lb. of yarn.

## D. Other piece dyeing charges—

- (a) Mineral Khaki dyeing .. 5½ as. per lb. of yarn.
- (b) Vegetable Khaki dyeing .. 3 as. per lb. of yarn.
- (c) Hydron Blue dyeing .. 10 as. per lb. of yarn.

## E. Waterproofing .. 3 as. per lb. of yarn.

## 7. Piece and Yarn dyeing charges for commercial quality, direct or basic colour—

- (a) Dark shades .. 5 as. per lb. of dyed yarn used in the body or border of cloth.
- (b) Medium & Light shades .. 4 as. per lb. of dyed yarn used in the body or border of cloth.

## 8. Cotton dyeing charges—

(a) Fast and Direct colour dyed: The dyeing charges will be allowed on the basis of the shade of yarn spun from dyed cotton and used in the cloth irrespective of the percentage of dyed cotton used in the yarn. In other words, the yarn spun from dyed cotton will be compared with the shade card to find whether it falls under the category of light, medium or dark and the appropriate dyeing charge will be given for the total weight of yarn spun from dyed cotton.

(b) Sulphur colours: 8 as. per lb. of actual cotton dyed used in the yarn.

Note:—(i) The dyeing charges provided above will only be allowed after comparing the shades of dyed yarn or cloth with the shades of dyed yarn patterns already sent to mills and Panel Members. No dyeing charges will be allowed for shades lighter than the light shades in the pattern covers sent to mills and Panel Members.

(ii) All dyeing charges in paragraphs 5 to 8 are inclusive of any charge for bleaching and scouring which may be necessary before dyeing.

## 9. Mercerising charge—

- (a) 2 as. per lb. for cloth 4 ozs. and heavier per square yard.
- (b) 3 as. per lb. for cloths lighter than 4 ozs. per square yard.
- (c) 3 as. per lb. for yarn mercerised for all counts.

## 10. Charges for roller printing in Fast to Bleach colours of all cloth of width 26 in. and under—

(i) For 25 per cent. of printed surface or more:

- (a) Single colour printing .. 2½ as. per yard.
- (b) Double colour printing .. 4½ pies more than (a).
- (c) Three colour printing .. 9 pies more than (a).
- (d) For every additional colour, add 4½ pies per yard extra.

(ii) For less than 25 per cent. of printed surface, one anna and nine pies per yard. For every additional colour 3 pies more per yard.

Note:—(1) For cloths of width over 26 in., take proportionate charges on the basis of the charges for widths 26 in. and under.

(2) The printing charges given are inclusive of the charge for any bleaching or scouring of the grey material before printing.

(3) Where bleached or scoured cloth is dyed or printed, the charges specified above shall be reduced by 6 pies per yard in every case. This applies only to outside processors who are dyeing or printing scoured or bleached or grey cloth delivered to them by dealers. Mills who are manufacturing grey cloth, scour or bleach it before printing or dyeing and subsequently print or dye the same are required to calculate the prices for the printed and dyed material by adding to the grey prices the appropriate printing or dyeing charges specified above.

## 11. Dual Processing—

- (i) In cases where (a) cloth containing cotton dyed yarn is piece dyed, and (b) piece dyed cloth is subsequently printed, no charges for piece dyeing will be permitted.
- (ii) No piece dyeing charges will be allowed in cases where cloth, containing more than 20 per cent. of dyed yarn in the warp and/or weft, is piece dyed.

## 12. Raising charges—

- (i) One passage two sides .. 3 pies per lb.
- (ii) Two passages one side .. 3 pies per lb.
- (iii) Three passages or more,  
two sides .. 6 pies per lb.

## 13A. Dobby Allowance for borders in Dhooties and Sarrees—

- (i) Upto 12 shafts .. (a) 1½ as. per lb. for 40s. warp and below.  
(b) 3 as. per lb. for counts above 40s warp.
- (ii) From 13 shafts to 32 shafts—Double the charges in (i).
- (iii) From 33 shafts and above—Three times the charges in (i).

## B. Allowance for Ground Dobby Weave—

Warp counts	Charges per lb.		33 shafts and above.
	Up to 12 shafts	From 13 to 32 shafts	
	As.	As.	As.
15s and below .. .. .	½	1½	2½
Between 16s and 34s .. .. .	1½	3	4½
Between 35s and 59s .. .. .	3	6	9
60s and above .. .. .	4½	9	13½

## 14. Jacquard Allowance—

Warp counts	120 needles and less	Charges per lb.		Above 400
		Above 120 and upto 240	Over 240 & upto 400	
	As.	As.	As.	As.
15s and below .. .. .	3	3½	4½	4½
Between 16s and 34s .. .. .	6	7½	9	10½
Between 35s and 59s .. .. .	9	11½	13½	15½
60s and above .. .. .	12	15	18	21

(Note:—The allowance of Dobby and Jacquard specified in paragraphs 13 and 14 above are to be added on the basis of weight of yarn in warp and border, exclusive of weight of weft yarn, but with the 5 per cent. allowance for wastage).

LS16ITBB



## 15. Dropbox Allowance—

Warp count	Charges per lb.	
	2 and 3 shuttles Annas.	4 shuttles and above. Annas.
15s and below .. .. .	4	5
Between 16s & 34s .. .. .	8	10
Between 35s & 59s .. .. .	12	15
60s and above .. .. .	16	20

(Note:—The Dropbox allowance is to be taken on the total weight of yarn in the piece).

## 16. Leno Weave Allowance—

(a) Doups per inch in reed not exceeding 3 6 9 12 14 16 18  
 Allowance—per inch of grey width in annas  
 per 24 yards piece .. .4 .6 .8 1.0 1.2 1.4 1.6

The maximum number of doups per inch in the reed for which the allowance will be given are:

(b) Resultant counts 10s to 16s max: 14 doups per inch.  
 17s to 28s max: 16 doups per inch.  
 29s to 40s max: 18 doups per inch.

(Note:—(1) The term “resultant counts” is to be applied to the yarn passing through the doups. This is usually two or three fold yarn.

(2) In the case of patterned lenos, i.e., when a part of the cloth is leno weave and part some other weave the number of doups per inch is to be determined by dividing the total grey width by total number of doups in the reed.

(3) When the number of doups exceeds the number mentioned in sub-paragraph (b) the allowance given will be limited to the weight of yarn based on the number of ends per inch in sub-paragraph (b).

## 17. Dhoties and Sarees allowance—

Border—(1) For grey or bleached double yarn used in the borders of dhoties and sarees, the following charges per lb. of border yarn used are to be taken:—

				Rs. a. p.
2 20	..	..	..	1 12 0
2 30s (Indian Cotton)	..	..	..	2 4 0
2 30s (Imported Cotton)	..	..	..	2 9 0
2 40s	..	..	..	3 2 0
2 50s	..	..	..	3 14 0
2 60s Uncombed	..	..	..	4 10 0
2 60s Combed	..	..	..	4 14 0
2 80s Uncombed	..	..	..	6 0 0
2 80s Combed	..	..	..	6 4 0

(2) For grey or bleached single yarn used in the borders of dhoties and sarees, the multiplier for the appropriate single yarn provided in the Schedule of Multipliers increased by 2 annas per count shall be taken.

(3) For dyeing and mercerising, add appropriate charges provided in the preceding paragraphs.

Note:—A. For double yarn of counts other than those specified above, average proportionate charges are to be taken.

B. The charges specified in this paragraph are to be applied in respect of the total weight of warp yarn used in the border; and for arriving at the price of the full piece, the weight of the border yarn should be deducted and only the weight of the ground cloth taken for purposes of linking with the realisation multiplier given in the Schedule.

C. In addition to the above, the following compensatory allowance shall be added to the final prices of dhoties and sarees for loss of production:—

(a) 3 pies per yard in the case of dhoties and sarees manufactured from 16s warp and over and linked to Groups upto and including Group VIII.

(b) 6 pies per yard in the case of dhoties and sarees linked with Groups IX and above.

These compensatory allowances will only be given in respect of dhoties and sarees, the widths of which are not less than 39 in. grey or 36 in. bleached.

#### 18. Grandrelle Yarn—

(i) One end grey and one end colour to be treated for dyeing charge as single yarn in receipt of weight, and half the dyeing charges appropriate to the depth of shade will be allowed on the total weight.

(ii) If both ends are coloured in different shades, the full weight will be taken, and the dyeing charge on full weight will be allowed at a rate which will be average of the rates appropriate to each dyed shade.

#### 19. Artificial Silk Qualities:—

(a) Single artificial silk, Rs. 10-12-0 per lb. of artificial silk.

(b) Double artificial silk, Rs. 11-8-0 per lb. of artificial silk.

For dyeing charge add Re. 1-4-0 per lb. of artificial silk in the case of fast dyeing and 10 annas per lb. in the case of direct dyeing.

20. (a) For border print on both sides ..  $\frac{1}{2}$  anna per yard extra.

(b) For single border print ..  $\frac{1}{2}$  anna per yard extra.

21. Allowance for Drills ..  $\frac{3}{4}$  anna per lb. of yarn.

*Note:*—Twills are to be treated as plain cloth and no additional charges will be given even if woven on bobby or tappet.

Terry motion allowance .. 1 anna per lb. of yarn over and above the dobbie allowance.

23. Felt Calendering Allowance  $\frac{1}{2}$  anna per lb.

24. Beetling Allowance ..  $\frac{1}{2}$  anna per lb.

#### 25. Shadow Poplin Allowance:

(a) An allowance of  $\frac{1}{2}$  anna per yard extra will be allowed if the quantity of reverse twist yarn in the warp is 50 per cent. and more of the total weight of warp yarn. In other cases, the allowance will be  $\frac{1}{2}$  anna per yard. These allowances will only be given in cases where the quality is manufactured with warp counts of yarn 35s and over.

(b) The allowance will not be given in the case of (i) split qualities and (ii) in qualities the widths of which are less than 28 in. finished.

26. For Bleached Mulls not containing any coloured yarn in the body, of 46 in. width and more produced from 60s warp and over and/or linked to Group 12 and above, an additional allowance of  $\frac{1}{2}$  anna per yard will be given.

27. Compensatory coal allowance for mills wherever situated, whose motive power is entirely or preponderatingly produced from coal: In the case of all grey qualities which have undergone no further processing other than calendering, the appropriate grey multiplier after adjustment of variation of counts, reeds and picks, if any, shall be increased by 5 per cent. (This allowance is not admissible in the case of any cloth which is either scoured, bleached, dyed or printed, with or without mercerising).

28. Allowance of Handkerchiefs: (i) Herm stitched: 25 per cent. above the final price arrived at on the basis of the schedule; (ii) Ordinary stitched: 15 per cent. above the final price arrived at on the basis of schedule.

*Note:*—These charges are inclusive of ironing and packing.

29. Yarn in selvages used in cloths other than Patti Mulls and Voiles; Double or single yarn if any, used in selvages of cloth other than Patti Mulls and Voiles should only be treated as falling within the warp yarn used in the cloth and will not be permitted to be taken as border yarn and will not be allowed the special charges for border yarn.

30. Tapestries and Furnishing Fabrics: Ceiling prices for these will be fixed by the Chairman in consultation with Mr. T. V. Baddeley, and Mr. J. C. Lancashire. Forms of manufacturing particulars are, therefore, required to be submitted by the mills direct to the Chairman, together with samples of the qualities.

*Schedule for Calculation of Blanket Ceiling Prices.*

Warp	Weft	Reed	Picks	Realisation multiplier	per lb. of yarn (in annas).
14s	2s	36	20		10.40

*Note:*—(a) No adjustment is to be made for variation in counts of weft below 2s. Adjustment for variation in counts of warp below and above 14s, and of weft above 2s, is to be made on the same basis as provided in the Schedule.

(b) For variation in reed and pick, same as in the Schedule.

(c) The multiplier is to be applied for all light and medium dyed blankets, no extra charge being given for dyeing.

(d) In case of Sulphur Dyed cotton blanket, an extra charge of  $2\frac{1}{2}$  annas per lb. to be taken.

(e) No heading or hemming charges to be taken.

(f) Raising charges half an anna per lb.

## APPENDIX IX.

Statement showing the rates of depreciation relating to the 16 costed mills.

Serial No.	Name of Mill	Percentage of depreciation written off to original block value for the year										
		1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	
1	2	3	4	5	6	7	8	9	10	11	12	
BOMBAY												
1	The Standard Mills Co., Ltd.	2.16	2.09	2.77	3.11	2.05	2.04	2.03	1.68	2.00	Not available	
2	The Madhusudan Mills, Ltd.	6.21	6.02	5.49	10.87	7.08	5.95	5.28	5.03	5.03	4.14	
3	The Razhuvanshi Mills, Ltd.	7.73	Nil	Nil	11.19	7.14	16.44	7.05	Nil	Nil	9.46	
4	The Modern Mills, Ltd.	0.02	.04	.04	11.47	14.62	10.76	9.67	7.00	5.28	Not available	
AHMEDABAD												
5	The Hathising Mfg. Co., Ltd.	Not available			Nil	Nil	8.23	2.96	1.62	3.22	Do.	
6	Rohit Mills, Ltd.	4.83	8.88	2.29	5.27	6.30	5.08	4.29	4.12	4.91	Do.	
7	The New Swadeshi Mills of Ahmedabad, Ltd.	Not available			Not available			6.85			5.42	4.24

## APPENDIX IX—contd.

Serial No.	Name of Mill	Percentage of depreciation written off to original block value for the year										
		1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	
1	2	3	4	5	6	7	8	9	10	11	12	
8	SOUTH INDIA The Somaasundaram Mills, Ltd.	..	Not available	—	—	7.66	9.08	8.76	7.57	7.34	Not avail- able Do.	
9	The Kaleswarar Mills, Ltd.	..	2.39	2.12	3.25	3.10	3.26	2.99	2.80	3.24	Do.	
10	The Pankaja Mills, Ltd.	..	7.68	4.60	4.39	7.25	6.64	6.31	5.06	4.42	Do.	
11	Asher Textiles ..	..	Nil	2.33	8.49	4.53	8.42	7.91	5.59	4.96	4.24	
12	BENGAL The Bangeswari Cotton Mills, Ltd.	..	3.19	3.47	4.29	4.13	3.84	3.63	3.40	3.06	Not avail- able Do.	
13	The Mohini Mills, Ltd.	..	Not avail- able	4.14	4.48	5.81	12.37	9.15	5.54	5.28	Do.	
14	CENTRAL INDIA R. S. Reckchand Gopalas Mohita Spg. & Wvg. Mills, Ltd.	..	Not available									Nil
15	The Rajkumar Mills, Ltd.	..	Not avail- able	.91	Nil	10.96	10.87	9.72	Nil	3.14	Not avail- able	
16	UPPER INDIA Cawnpore Textiles, Ltd.	..	Do.	3.56	3.32	*1.93	7.26	6.36	7.67	6.10	6.32	

\*This is the provision made in the second half of the year ending 30th September. Balance Sheet for the first half year is not available.

## APPENDIX X.

*Statement showing the rates of depreciation relating to (a) Bombay mills; and  
(b) Ahmedabad mills.*

Year	Bombay Mills		Ahmedabad Mills
	Percentage of Depreciation written off to original block value.	Percentage of Depreciation at Income-Tax rates to original block value.	Percentage of Depreciation written off to original block value.
1	2	3	4
1938	2.35	Not available	3.13
1939	1.66	Do.	3.87
1940	2.56	5.28	3.71
1941	5.58	5.36	6.51
1942	7.15	4.66	5.31
1943	6.00	4.13	4.98
1944	4.03	3.73	4.47
1945	3.83	3.80	4.13
1946	4.42	Not available	3.91
Annual Average.	4.20	4.48	4.45

## APPENDIX XI

Statement showing the amounts of B. P. T. if any, payable by the costed mills at the current taxation rates on the basis of—  
(i) the financial data for 1946; and (ii) a net profit at the rate of 6 per cent. on the original block.

Items 1	Madhusudan 2	Modern 3	Raghuvanshi 4	Standard 5	Hathising 6	New Swadeshi 7	Rohit 8	Cannore Textiles 9
1. Paid up Share Capital	24,30,000	24,25,370	20,00,000	36,00,000	2,22,500	14,49,625	24,05,000	16,00,000
2. Reserves	7,12,750	21,75,000	22,22,593	49,75,584	99,500	1,50,000	4,72,100	14,50,000
3. Capital for calculation of abatement	31,42,750	46,00,370	42,22,593	85,75,584	3,22,000	15,99,625	28,77,100	30,50,000
4. Abatement	2,00,000	2,76,022	2,53,356	5,14,566	2,00,000	2,00,000	2,00,000	2,00,000
5. Gross Block	19,87,076	38,37,742	41,52,099	74,82,811	12,43,120	21,32,155	43,77,533	35,73,477
6. Profit @ 6% of Block	1,19,225	2,30,265	2,49,121	4,48,969	74,587	1,27,929	2,62,652	2,14,401
7. Profit for calculation of B. P. T. on the basis of (6)	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	62,652	14,409
*8. B. P. T. payable @ 10% of (7)	Nil.	Nil.	Nil.	Nil.	Nil.	Nil.	6,265	1,441

Items	Rajkumar 10	Reckhand Mohita 11	Asher Textiles 12	Kake- sawar 13	Pankaja 14	Soma- Sundaram 15	Bangswari 16	Mohini 17	Average for each of the 16 costed mills 18
1. Paid up Share Capital	20,50,210	48,00,220	7,99,946	6,50,000	6,00,000	6,50,000	10,25,338	38,98,331	19,25,409
2. Reserves	13,02,550	Nil.	6,45,176	22,71,972	8,97,500	90,000	1,32,601	17,35,952	11,89,580
3. Capital for calculation of abatement	33,52,760	48,00,220	14,45,122	29,21,972	14,97,500	7,40,000	11,57,939	55,33,921	31,14,989
4. Abatement	2,01,166	2,88,013	2,00,000	2,00,000	2,00,000	2,00,000	2,00,000	2,12,035	2,00,000
5. Gross Block	64,37,314	51,94,103	11,16,193	38,95,629	22,58,689	11,60,210	14,44,391	48,73,701	34,48,448
6. Profit @ 6% of Block	3,86,239	3,11,646	66,972	2,33,736	1,36,522	70,153	86,663	2,92,422	2,06,907
7. Profit for calculation of B. P. T. on the basis of (6)	1,85,073	23,633	Nil.	33,738	Nil.	Nil.	Nil.	80,387	6,907
*8. B. P. T. payable @ 10% of (7)	18,507	2,363	Nil.	3,374	Nil.	Nil.	Nil.	8,039	691

## EXPLANATORY NOTE :—

(1) The statement is based on the mills Balance Sheets for 1946.

(2) "Paid up Share Capital" is inclusive of premium on shares.

(3) "Reserves" is exclusive of depreciation reserve and taxation reserve. It, however, includes E.P.T. reserves wherever figures are available.

(4) Capital for calculation of abatement (item 3) is the sum of items 1 and 2. Where, however the investment exceeds loans, the excess has been deducted from the sum of items 1 and 2.

(5) Abatement allowed is 6% of Capital referred to at (4) above or Rs. 2,00,000 whichever is greater.

(6) Items 6 to 8 are based on the assumption that the net profit is 6% of the block.

\*The incidence in the case of the 6 mills will be as follows :—

2½%, 1½%, 5%, 2%, 1½%, 2½% on the profits respectively.

## APPENDIX XII.

*Madura Mills Company Limited.*

## CIRCULAR.

With the removal of price control and price stamping of goods, Government is exacting a Levy on all Mills in the knowledge that Mill prices will be revised upwards.

2. In common with other Mills we shall have to pay the Levy to Government, and we are increasing our prices for all outstanding orders yet to despatch regardless of the contract month. The Levy apart, the prices agreed in January are now completely uneconomic owing to the very considerable rise in the prices for all Cottons, Indian and Imported.

3. The increases are approximately 25 per cent. in the case of Indian Yarns and 50 per cent in the case of Egyptian qualities. We enclose a complete list of our revised prices. Doubling charges remain unchanged but our revised Coning charges are Rs 2.- per 10 lbs. up to and including 30s and Rs. 3|- for counts over 30s. The previous Coning charges have been unremunerative for some time.

4. It is now of no consequence whether goods are price stamped or not as all outstandings will be invoiced at the revised prices.

We do not wish to hold up despatches and are therefore invoicing at the new prices forthwith. We shall be glad, however, if you will confirm our action by wire on receipt of this letter.

5. In this general connection, we trust it will be appreciated that price control, once the yarn had left the Mills, has been ineffective for sometime now, and we are aware that our yarn has been selling at very large differences over the ex-mill prices agreed in January.

For and on behalf of

MADURA MILLS COMPANY LIMITED.

For A. & F. HARVEY Ltd.,

Sd.|-

Director

Managers.

MADURA,  
21st April '48.

(True Copy)



## MADURA MILLS COMPANY LIMITED

Yarn ex-mill prices.

Counts.							Prices per 10 lbs.	
							Single.	Twofold.
							Rs. AS. PS.	Rs. AS. PS.
<i>Indian Cotton—</i>								
4s	..	..	..	..	..	..	13 6 0	14 4 0
6s	..	..	..	..	..	..	13 10 0	14 8 0
8s	..	..	..	..	..	..	13 14 0	14 12 0
10s	..	..	..	..	..	..	14 2 0	15 6 6
12s	..	..	..	..	..	..	14 6 0	15 10 6
13s	..	..	..	..	..	..	14 8 0	15 12 6
14s	..	..	..	..	..	..	15 1 0	16 5 6
16s	..	..	..	..	..	..	16 8 0	18 6 6
17s	..	..	..	..	..	..	16 10 0	18 9 9
18s	..	..	..	..	..	..	16 12 0	18 13 0
19s	..	..	..	..	..	..	16 14 0	19 0 3
20s	..	..	..	..	..	..	17 0 0	19 3 6
22s	..	..	..	..	..	..	17 10 0	20 1 0
24s	..	..	..	..	..	..	18 0 0	20 10 6
26s	..	..	..	..	..	..	20 0 0	22 10 6
28s	..	..	..	..	..	..	20 4 0	22 14 6
30s	..	..	..	..	..	..	20 8 0	23 3 0
32s	..	..	..	..	..	..	20 12 0	23 9 6
36s	..	..	..	..	..	..	24 4 0	27 5 9
40s	..	..	..	..	..	..	25 0 0	28 6 0
42s	..	..	..	..	..	..	25 6 0	28 14 6
44s	..	..	..	..	..	..	25 12 0	29 7 0
<i>Foreign Egyptian—</i>								
60s carded	..	..	..	..	..	..	51 0 0	56 8 0
80s combed	..	..	..	..	..	..	65 0 0	73 12 0

Coning and/or cheesing charges  
including casepacking

Rs. 2-0-0 per 10 lbs. upto and including  
30s.

Rs. 3-0-0 per 10 lbs. over 30s.

For and on behalf of  
MADURA MILLS COMPANY LIMITED,

Pro: A. & F. HARVEY Ltd.,

Sd.|-

MANAGERS

MADURA,

21st April '48.

(True Copy)

Ls15ITBB-1000-10-2-49-GIPS